

2005-2006

**HOUSE
PENSIONS &
RETIREMENT**

**COMMITTEE
MINUTES**

**NORTH CAROLINA GENERAL ASSEMBLY
PENSIONS AND RETIREMENT
2005 – 2006 SESSION**



**Rep. Larry Bell
Chair**



**Rep. Gene Wilson
Chair**



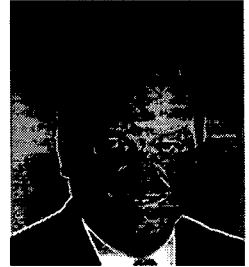
**Rep. Bernard Allen
Vice Chair**



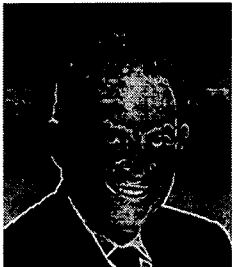
Rep. Linda Coleman



Rep. Beverly Earle



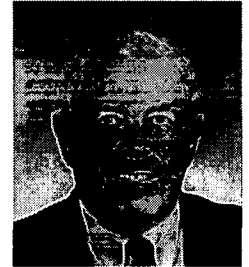
Rep. Dale Folwell



Rep. Joe Kiser



Rep. Deborah Ross

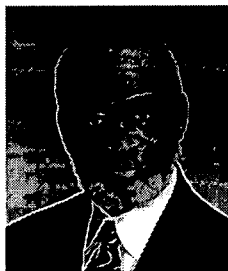


Rep. Joe Tolson



Rep. Culpepper

Ex-Officio



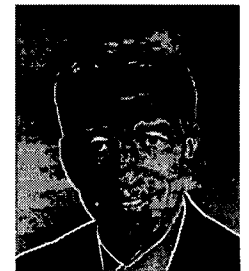
Rep. Cunningham

Ex-Officio



Rep. Eddins

Ex-Officio



Rep. Hackney

Ex-Officio

MEMBERSHIP LIST 2005-2006
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

<u>MEMBER</u>	<u>ASSISTANT</u>	<u>PHONE</u>	<u>OFFICE</u>	<u>SEAT</u>

REPRESENTATIVES:

Chairs

Bell, Larry	Carolyn Edwards	733-5863	538	12
Wilson, Gene	Rebecca Jones-Cooper	733-7727	1109	51

Vice Chair

Allen, Bernard	Latisha Dumas	733-5772	1325	79

Members

Coleman, Linda	Teresa Saunders	733-5934	1013	92
Earle, Beverly	Ann Raeford	715-2530	634	11
Folwell, Dale	Mary Marchman	733-5787	304	104
Kiser, Joe	Marilyn Holder	733-5782	1326	40
Ross, Deborah	Margie Penven	733-5773	2223	65
Tolson, Joe	Shirley Phillips	715-3024	402	59

Ex-Officio

Culpepper, Bill	Dot Crocker	715-3028	404	36
Cunningham, Pete	Valerie Rustin	733-5778	541	7
Eddins, Rick	Susan Phillips	733-5828	1002	26
Hackney, Joe	Emily Reynolds	733-5752	2207	69

Staff

Karen Cochrane-Brown
Theresa Matula
Stanley Moore

Research

Attorney
Analyst
Fiscal Analyst

	733-2578	545
	733-2578	545
	733-4910	619

Legislative Assistants

Rebecca Jones-Cooper
Carolyn Edwards

Office

Rep. Wilson
Rep. Bell

	733-7727	1109
	733-5863	538

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North Carolina General Assembly
Through House Committee on
Pensions and Retirement

Date: 09/30/2005
Time: 14:10
Page: 001 of 002
Leg. Day: H-125/S-126

2005-2006 Biennium

Bill	Introducer	Short Title	Latest Action	In Date	Out Date
H0023	Howard	FIRE AND RESCUE PENSION ELECTION.	*H Ref To Com On Pensions & Retirement and Aging	02-01-05	03-24-05
H0059	McLawhorn	RETIRED SCHOOL PROFESSIONALS RETURN TO WORK.	*H Re-ref Com On Appropriations	02-03-05	06-01-05
H0129	Wright	STATE AND LOCAL RETIREMENT COLAS.	H Re-ref Com On Appropriations	02-09-05	03-23-05
H0142=	Moore	LAW OFFICERS' 25-YEAR RETIREMENT.	H Ref To Com On Pensions and Retirement	02-09-05	
H0144=	Williams	INCREASE FIRE AND RESCUE SQUAD PENSION.	H Re-ref Com On Appropriations	02-09-05	03-23-05
H0182	Ray	CHARTER SCHOOL RETIREMENT ELECTION.	HR Ch. SL 2005-317	02-10-05	04-27-05
H0247	Preston	RETIRED TEACHERS WORK /NO PENALTY.	H Ref to the Com on Pensions and Retirement and, if favorable, to the Com on Education	02-16-05	
H0248	Cole	METH. LAB PREVENTION ACT	*HR Ch. SL 2005-434	02-16-05	05-18-05
H0402	Glazier	PURCHASE MILITARY SERVICE/RETIREMENT.	H Re-ref Com On Appropriations	03-01-05	04-20-05
H0447	Glazier	LEO CREDITABLE SERVICE/WORKERS' COMPENSATION.	*H Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/ Base Budget	03-02-05	04-25-05
H0485	Fisher	CHARTER SCHOOL RETIREMENT ELECTION.	*HR Ch. SL 2005-315	03-07-05	04-27-05
H0535=	Jeffus	TEACHERS CONVERT PERSONAL LEAVE TO SICK LEAVE.	*H Ref To Com On Education/Higher Education	03-29-05	04-06-05
H0612	Ray	TROUTMAN/LOCAL GOVT. EMP. RETIREMENT SYSTEM.	HR Ch. SL 2005-279	03-14-05	04-06-05
H0701	Faison	RETIRED SCHOOL PROFESSIONALS RETURN TO WORK.	*H Re-ref Com On Appropriations	03-17-05	06-23-05
H0709=	Howard	25-YEAR RETIREMENT FOR FIRST RESPONDERS.	H Ref To Com On Pensions and Retirement	03-17-05	
H0710	Bell	RETIREMENT SYSTEMS TECHNICAL CORRECTIONS.-AB	*HR Ch. SL 2005-91	03-17-05	05-05-05
H0711=	Bell	RETIREMENT SYSTEM COLAS.-AB	H Re-ref Com On Appropriations	03-17-05	03-23-05
H0763=	Culpepper	FIRE AND RESCUE WORKERS' RETIREMENT.	*H Re-ref Com On Appropriations	03-17-05	05-03-05
H0784	Wright	CREDITABLE SERVICE/ WORKERS' COMPENSATION.	*H Re-ref Com On Appropriations	03-17-05	04-25-05
H0853=	Insko	RECIPROCITY/OPTIONAL	H Ref To Com On	03-22-05	

'\$' indicates the bill is an appropriation bill.

A bold line indicates the bill is an appropriation bill.

'*' indicates that the text of the original bill was changed by some action.

'=' indicates that the original bill is identical to another bill.

North Carolina General Assembly
Through House Committee on
Pensions and Retirement

Date: 09/30/2005
Time: 14:10
Page: 002 of 002
Leg. Day: H-125/S-126

2005-2006 Biennium

Bill	Introducer	Short Title	Latest Action	In Date	Out Date
		RETIREMENT SYSTEM.	Pensions and Retirement		
H0334=	McLawhorn	NC NATIONAL GUARD PENSION CHANGES.	H Ref To Com On Pensions and Retirement	03-28-05	
H1073	Rapp	EXTEND SUNSET/RETIRED TEACHERS RETURN TO WORK.	H Re-ref Com On Appropriations	03-31-05	04-27-05
H1237	Tucker	CHANGE LOCAL GOVERNMENTAL RETIREMENT BOARD.	*H Ref To Com On Pensions & Retirement and Aging	04-18-05	05-04-05
H1241	Culpepper	STATE LAW OFFICERS' 28-YEAR RETIREMENT.	H Ref To Com On Pensions and Retirement	04-18-05	
H1331	Insko	PURCHASE PART-TIME RETIREMENT SERVICE.	H Ref To Com On Pensions and Retirement	04-20-05	
H1497	Rhodes	ELECTED OFFICIALS/ LOCAL RETIREMENT.	H Ref to the Com on Pensions and Retirement and, if favorable, to the Com on Rules, Calendar, and Operations of the House	04-21-05	
H1501	Nye	ECON. DEVELOPMENT COMM./STATE RETIREMENT.	H Ref To Com On Pensions and Retirement	04-21-05	
H1524	Wilson	SUPPLEMENTAL INSURANCE/PERS. COMM./ SEIBP	*H Re-ref Com On Rules, Calendar, and Operations of the House	05-26-05	06-01-05
H1653	B. Allen	STUDY COMMISSION ON MANDATORY COLA FOR TSERS.	*H Re-ref Com On Rules, Calendar, and Operations of the House	05-12-05	07-13-05
S0140=	Fred Smith	AMEND FIREMEN'S RELIEF FUND REQUIREMENT.	*H Re-ref Com On Insurance	06-02-05	07-13-05
\$ S0148	Doug Berger	DEATH BENEFIT FOR PART-TIME LAW ENFORCEMENT.	*HR Ch. SL 2005-376	06-02-05	07-13-05
S0383	Hamilton C. Hort	AMEND WINSTON-SALEM FIREMEN'S RETIREMENT FUND.	H Ref To Com On Pensions and Retirement	06-02-05	

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MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
March 2, 2005

The House Committee on Pensions and Retirement met at 10:00 a.m. on Wednesday, March 2, 2005 in Room 544 of the Legislative Office Building. The following **Representatives** were present: **Chairs: Bell, and Wilson; Vice Chair: B. Allen; Members: Coleman, Folwell, Kiser, Ross, and Tolson.**

Fiscal Research - Stanley Moore; Research staff persons included: **Attorney** - Karen Cochrane-Brown; **Legislative Analyst** - Theresa Matula; **Legislative Committee Assistants** - Carolyn Edwards and Rebecca Jones-Cooper. The Agenda, Pages/Sergeant at Arms and Visitor Registration Sheets are attached and incorporated into the minutes.

Chairman Bell called the first Pensions and Retirement Organizational Meeting to order with a warm welcome. The purpose of the meeting was to set standard operating procedures and logistics as well as the introduction of each member and staff of the Committee.

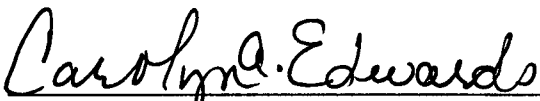
Chairman Bell listed several questions that many of his constituents ask regarding the Pensions and Retirement System and then introduced Michael Williamson, Director of the North Carolina Retirement Systems.
(Attachment 4)

Mr. Williamson answered all questions by giving the committee a Retirement System Legislative Briefing, Overview of the Retirement Systems Division's Report to the General Assembly on North Carolina's Return-to-Work Policy and a Ranking of NC Counties by Number of Active Employees and Retirees.
(Attachments 5, 6, 7)

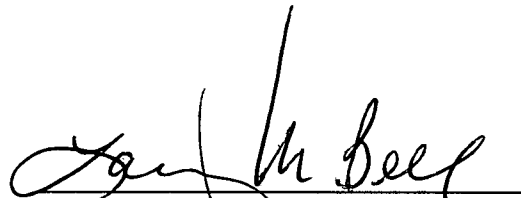
Chairmen Bell went over a few logistics by stating that the debates would close on time, 15 minutes before the hour and notification would be given at the beginning for those bills that would need to be voted upon and moved expeditiously.

The meeting was adjourned at 11:40 A.M.

Respectfully submitted,



Carolyn A. Edwards
Committee Assistant



Representative Larry M. Bell
Presiding Chair

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

March 2, 2005

10:00 A.M.

Room 544 LOB

**Representative Larry M. Bell
Presiding Chair**

CALL TO ORDER

OPENING REMARKS

ORGANIZATIONAL MEETING

ADJOURNMENT

Chairs:

Representative L. Bell

Representative G. Wilson

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2005-2006 SESSION**

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

DAY & DATE: **March 2, 2005**

TIME: **10:00 am**

LOCATION: **544 LOB**

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

Respectfully,

Representatives Bell and Wilson
Co-chairs

I hereby certify this notice was filed by the committee clerk at the following offices at
1:19 pm on March 1, 2005.

____Principal Clerk
____Reading Clerk - House Chamber

Rebecca Jones (Committee Assistant)

VISITOR REGISTRATION SHEET

Pensions & Retirement

March 2, 2005

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Larry Brasnell	NC Retired School Personnel
Ed Regan	N.C. Retired Gov'tal Employees Assoc.
Eden Greaves	PEARC
Michael House	NCAE
John Auger	SBE/DPE
Katherine Joyce	NCASA
Hilary Arthur	NCASA
Lee Hobb	KCLH
ELLIS HANKINS	NCLM
John Gynn	NC State Exchange
Paul Meyer	NCAEC
David Anders	PFFPAC
Ornott Olson	Am. Heat Assoc.

House Committee on Pensions and Retirement
PAGES INFORMATION SHEET
March 2, 2005

<u>NAME</u>	<u>COUNTY</u>	<u>REPRESENTATIVE</u>
1. Zack Lowman	Catawba	Setzer

SERGEANT AT ARMS

- 1. Bill Freeman**
- 2. Walter Spells**

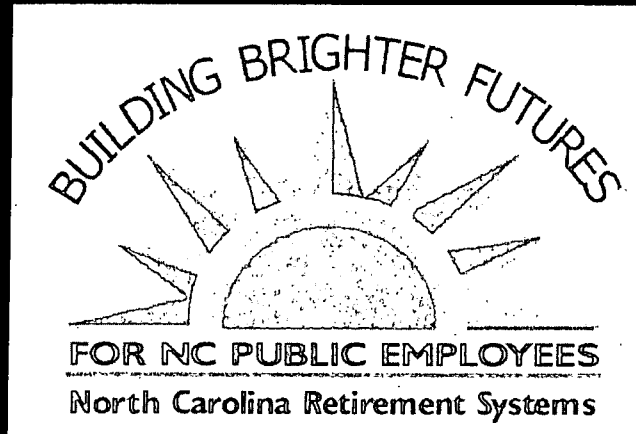
House Committee Meeting on Pensions and Retirement
March 2, 2005

Constituent Questions

1. Do we have any funds in the retirement system?
2. Will there be any funds there whenever we retire?
3. Do you think that hazardous duty employees will get their retirement years reduced to 25 years?
4. We need a cost of living increase in our retirement pension, how much will we receive?
5. Will the overall retirement formula change so that we can receive a permanent increase?
6. Must the teachers retire for 6 months before they return for re-employment?
7. Why must we pay the 11.2% back into the system? Does that apply whenever we substitute for a day or two or does it apply only when one returns for long term employment?
8. Does this apply for all state employees or just teachers? Did you know we have shortages in other area of state government?

Representative Larry M. Bell
Presiding Chair

Retirement System Legislative Briefing



Briefing Objectives

- To provide an overview of the N.C. Retirement Systems
- To develop an understanding of the current and future demographics and funding issues facing the Retirement Systems
- To report on customer service improvements as well as the challenges facing the Retirement 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
- Provide death benefits for employees' survivors

Who We Are

- Created by the General Assembly over 60 years ago
- 9th largest public pension plan in the country
- 15th largest pension plan overall
 - ✓ Bypassing Ford Motor Co., Lucent Technologies, Verizon, Lockheed Martin
- 1 in 8 working North Carolinians is a member of the retirement system
- 680,000 members - 500,000 actives & 180,000 retirees
 - ✓ Teachers & State Employees Retirement System - 479,600
 - ✓ Local Governmental Employees - 171,280
 - ✓ Consolidated Judicial Retirement System - 961
 - ✓ Legislative Retirement System & Legislative Fund - 489

Other Benefit Programs

- NC 401 (k) Supplemental Retirement Income Plan
- Firemen's and Rescue Squad Workers' Pension Fund
- National Guard Pension Plan
- Registers of Deeds Supplemental Pension Plan
- Disability Income Plan / Teachers and State Employees
- Death Benefit for Teachers and State Employees, Local Governmental Employees, and Legislators
- Contributory Death Benefit for Retirees

Defined Benefit Formula for State and Local Employees

- $\text{Years of Service} \times \text{Average Final Compensation (48 highest consecutive months)} \times \text{Accrual Factor (1.82\% or 1.85\%)} = \text{Benefit level}$

Cost of Living Adjustments (COLAs)

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

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

Funding Sources

- Employee contributions
- Employer contributions
- Investment income

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)

Repayment of Escrowed Funds

SESSION LAW 2001-513 (HOUSE BILL 231)

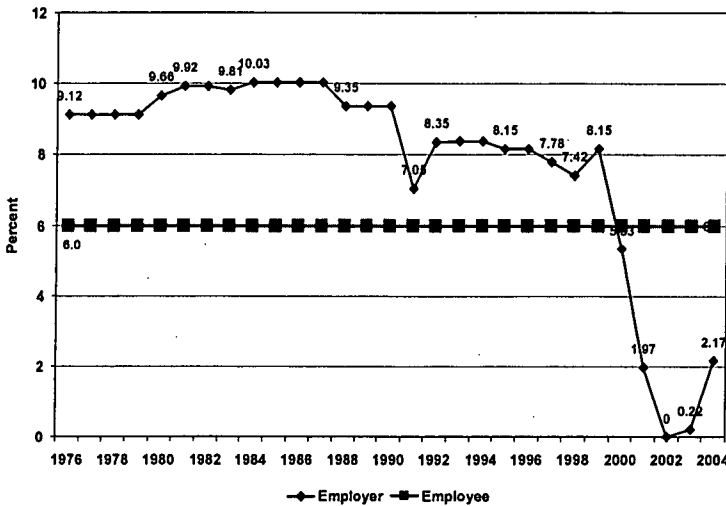
RETIREMENT PAYMENT

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.

Escrowed Money

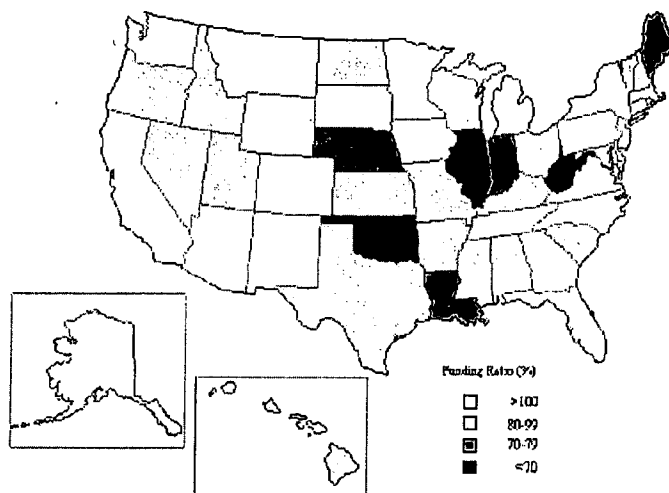
■ February 2001 – June 2001	
Contributions withheld	\$212,500,000
■ Dec. 2001 \$\$ returned	<u>- 82,6000,000</u>
Total Due	\$129,900,000
■ 2003 Repayment	- 10,000,000
■ 2004 Repayment	<u>- 20,000,000</u>
Total Due	\$99,900,000

Teachers' & State Employees' Retirement System



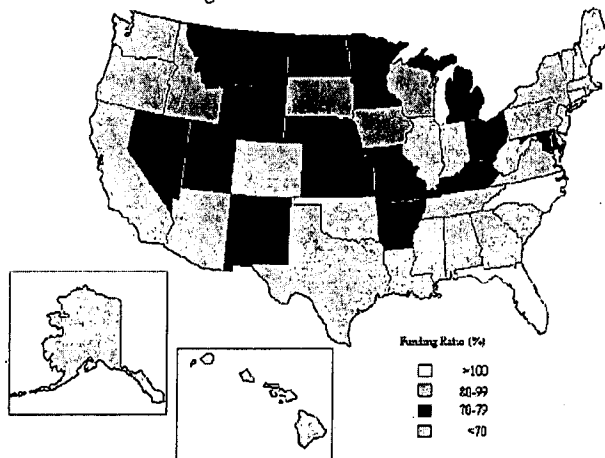
2002: A National Picture

Figure 3
State Funding Levels: Assets as a % of Liabilities



Source: 2002 Wilshire Report on State Retirement Systems: Funding Levels and Asset Allocation

Exhibit 7
State Funding Levels: Assets as a % of Liabilities



A Decade of Explosive Growth

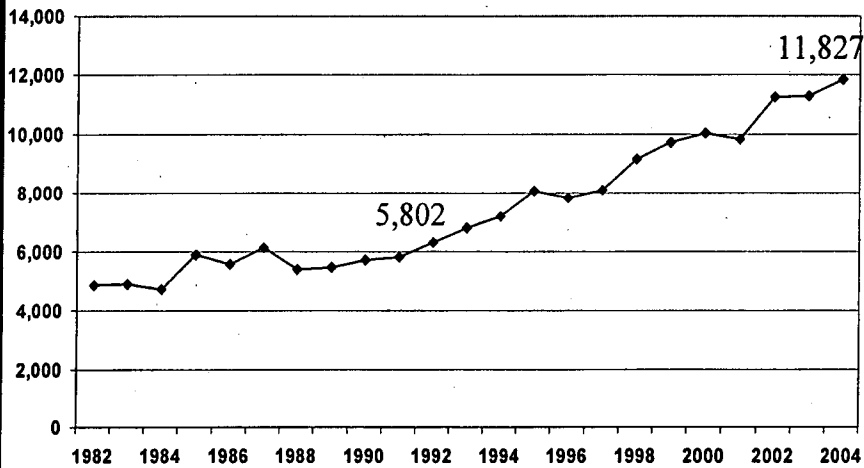
- In every key business process over the last decade we've had significant increases sometimes as much as 100% (1991 to 2004)
 - ✓Retirements processed up 104%
 - ✓Refunds processed up 51%
 - ✓Enrollments processed up 85%
 - ✓Reports of death up 57%
 - ✓Contributory death benefit claims up 84%*

*Death Benefit Claims from 2003

Retirements

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

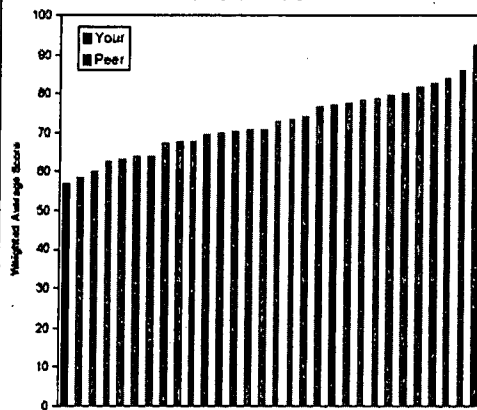
104% Increase in Retirements Processed Annually Since 1991



Customer Service



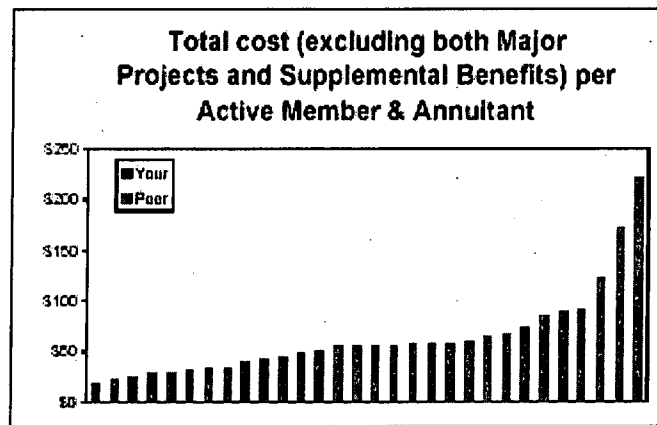
Overall Service Level Scores out of 100



Administrative Costs:

NC's Administrative Cost/Member: \$21

Peer Average Administrative Cost/Member: \$69

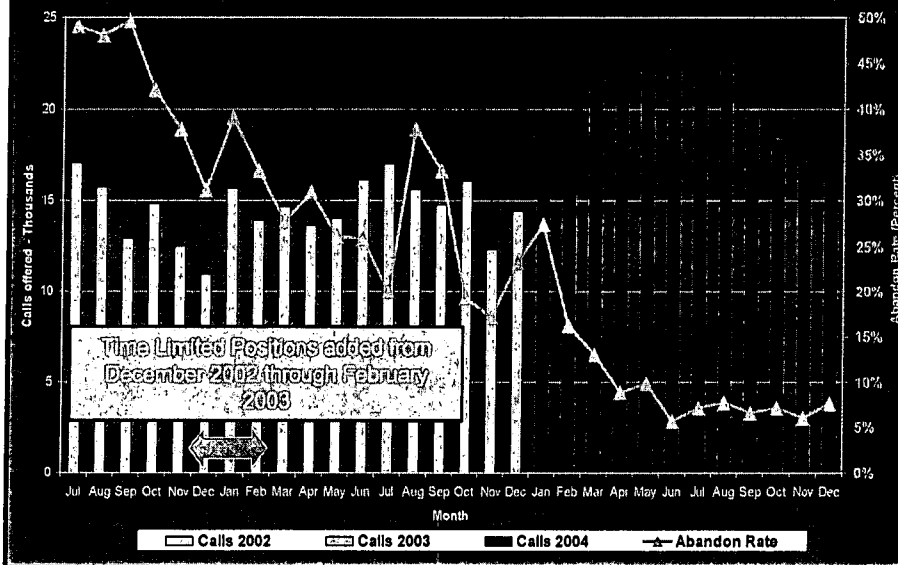


■ NC Retirement System benchmarked against 29 other public retirement systems.

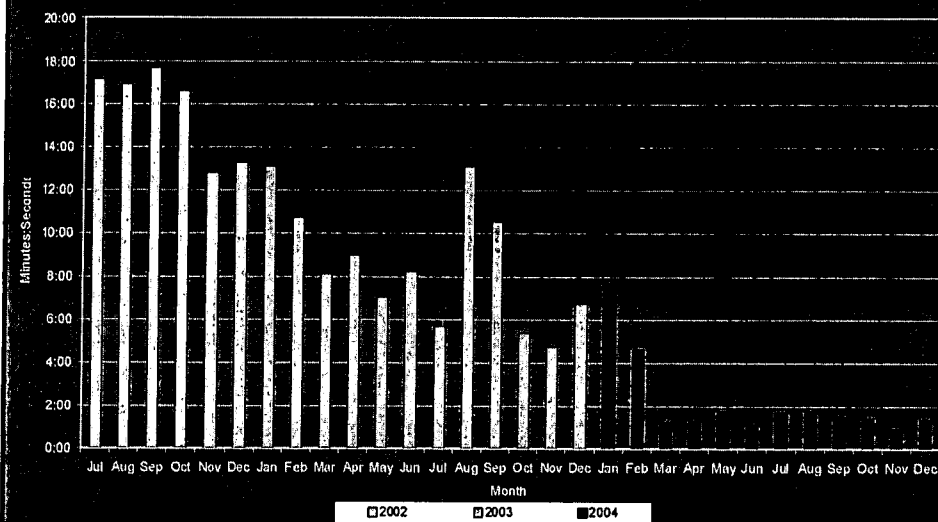
What Are We Doing About It?

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

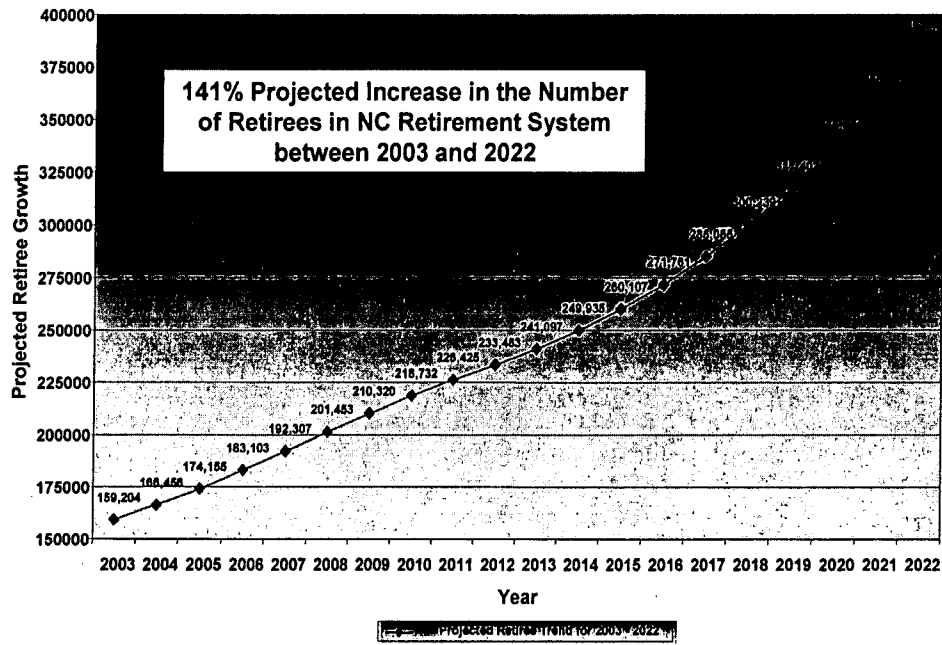
Total Calls Offered to Counselors and Abandon Rate 2002-2003-2004



Member's Average Hold-Time on a Call to Speak with a Counselor



Projected Retiree Trend: 2003 - 2022



What's the Story with ORBIT?

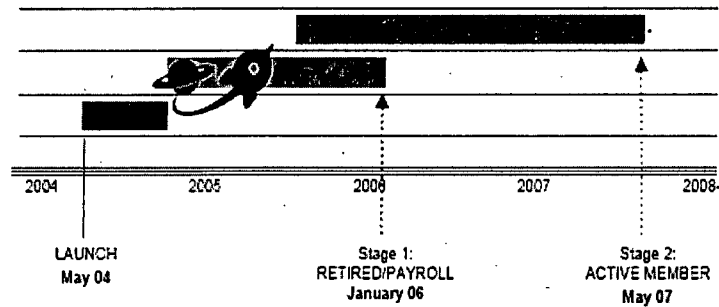
- Online Retirement Benefits through Integrated Technology
- New perspective on our world
- New tools to make us more efficient and responsive
- Same commitment to service



ORBIT

Where Are We Going?

Countdown to Implementation



ORBIT 2

HOW TO CONTACT THE RETIREMENT DIVISION

- **Website:** www.nc.gov/retirement
- **Retirees call:** toll free: 1-877-733-4191, or local (919) 733-4191
- **Active Employees call:** toll free 1-877-627-3287, or local (919) 807-3050
- **E-mail :** nc.retirement@treasurer.state.nc.us
- **Fax:** (919) 508-5350
- **Mail:** Retirement Systems Division
Department of State Treasurer
Albemarle Building
325 North Salisbury Street
Raleigh, NC 27603-1385
- **Constituent Concerns** Pam Deardorff, Legislative Liaison, 508-5390
- **Legislator's Personal Retirement:** Don Perry, Research and Planning Officer, 508-5377

Information We Need to Best Assist You

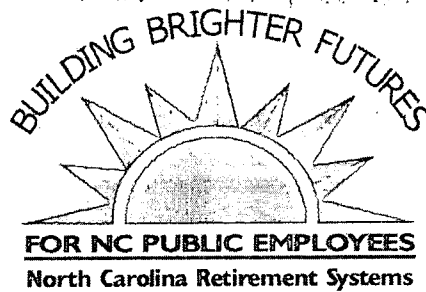
We need the following information about members/constituents

- Full Name
- Social Security Number (SS#) or Retirement Number
- Telephone Number
- Brief description of the issue. Ex: Disability issue; error in calculation

PLEASE NOTE: Visits with Retirement Systems counselors are *by appointment only*. Please call one of the Retirement numbers to schedule an appointment.

How to Contact Associations & Organizations

■ NC Association of County Commissioners---919-715-2893	■ NC School Boards Association---919-841-4040
■ NC Association of Educators---919-832-3000	■ NC Sheriffs' Association---919-783-8899
■ NC Association of School Administrators---919-828-1426	■ NC 401 (k) Plan---1-866-624-0151
■ NC Coalition of Police & Sheriffs---336-834-2202	■ Police Benevolent Assoc., NC Chapter --- 1-800-451-3895
■ NC League of Municipalities---919-715-4000	■ Professional Educators of North Carolina---919-788-9299
■ NC Retired Governmental Employees Association---919-834-4652	■ Professional Firefighters & Paramedics of NC---828-255-8650
■ NC Retired Highway Patrol Association---828-464-9461	■ State Employees Association of North Carolina---919-833-6436
■ NC Retired Peace Officer Association---828-464-9461	■ State Lodge, Fraternal Order of Police---919-420-7826
■ NC Retired School Personnel---919-832-3000	



Richard Moore
Treasurer

Michael Williamson
Director

Overview of the Retirement Systems Division's Report to the General Assembly on North Carolina's Return-to-Work Policy

April 12, 2005

The North Carolina General Assembly directed the Retirement Systems Division in 2004 to evaluate the State's return-to-work policy. The exact wording of the bill reads, "conduct an analysis of the postretirement reemployment issue, including a survey of peer State systems, cost analyses, review of relevant impacting federal regulations, and the administrative impact of various postretirement reemployment policies."

This report fulfills the legislature's directive with an in-depth examination of and recommended adjustments to the State's current return-to-work regulations. This report also provides recommendations for future work force retention policy in North Carolina's public sector.

The policies adopted by the General Assembly will determine North Carolina's ability to recruit and retain a talented and dependable workforce, today and in the future. This issue has never been more important than it is today. However, any response that is adopted by the General Assembly must also consider the long-term financial health of the state's retirement systems as well as compliance with federal regulations. We must take great care to fully understand the impact upon our retirement systems of the various policies we implement, so that we do not put the system's long-term sustainability in jeopardy.

With that in consideration, the Retirement Systems Division adopted an objective, comprehensive approach to examining this issue, including interviews with many employee and employer associations and State agencies. Our intention has been to balance the State's need to meet its personnel objectives with its need to protect benefit programs for public employees.

Foremost in our minds is that the Department of State Treasurer and the Retirement Systems Division have a constitutional mandate to protect the financial integrity of the State's retirement systems.

To those who commit their careers to public service, the promise of a dependable and sustainable post-employment benefit must be kept. For retirees in the systems,

funds for continued cost-of-living adjustments are imperative if their benefits are to remain a viable source of income. Recruitment and retention of a quality government work force now and in the future rests largely on a strong, fiscally sound public pension plan. The systems' financial integrity and federal tax-exempt status must be preserved if these responsibilities are to be met.

Our research considered two key principles:

- Maintaining the Retirement Systems financial status
- Keeping the systems in compliance with federal codes

Additionally, we attempted to provide policy makers with employee retention strategies.

The report culminated in six recommendations that are intended to:

- Recognize and reimburse the pension systems the cost of any changes made to the State's return-to-work policy;
- Bring all return-to-work policies into compliance with IRS regulations so as not to jeopardize the system's tax-exempt status; and
- Encourage lawmakers to explore work force retention policies beyond return-to-work.

The findings in this report were generated through primary and secondary research; surveys with Retirement Systems in other states; interviews with key stakeholders and administrators; consultations with the Internal Revenue Service; and analysis of various data. The report contains multiple appendices and an attachment. The primary data sources are the North Carolina Department of Public Instruction and the Retirement Systems Division.

Recommendations

The report's first three recommendations pertain to the system's financial status.

The Retirement System's actuary projected that Return to Work policies that create an incentive to retire earlier than projected create a cost to the pension funds. If left un-funded, these costs are absorbed by actuarial gains, which are then unavailable as benefit enhancements such as Cost of Living Adjustments.

Further, the actuary indicated that the longer such a policy is in kept in place, the greater the number of employees who will utilize it, which continually increases the costs.

The main assumption underlying the cost projections is that a salary cap exemption will change retirement rates. It is a change in retirement rates resulting from a policy shift that generates new costs.

In order to fully understand how lifting the salary cap impacts the Retirement Systems, we felt it crucial to test the actuary's assumption on this point.

Additionally, in our interviews with the associations and State agencies, a top concern expressed by all groups was whether or not lifting the cap was having an impact on retirement rates, and thus the system.

Consequently, we conducted an evaluation of retirement patterns before and after the salary exemption was put in place for teachers. We found that the number of teachers retiring annually was increasing. Generally, this is true of most classes of employees because larger numbers are becoming eligible to retire. However, while the percent of teachers out of the entire teacher population eligible to retire had remained fairly constant overtime (between 12-14%), the percent of the retirement eligible that actually retired rose significantly after the salary exemption policy was enacted in 1999. Further, the percent of teachers eligible to retire actually declined slightly in 2003, further magnifying the effect of lifting the cap.

This finding supports the actuary's cost projections, which are based on the premise that lifting the salary cap accelerates retirement rates. Recognizing that un-funded costs will gradually erode the system's ability to meet its liabilities, we arrived at the following recommendations:

Recommendation 1: The Retirement System recommends that if the existing return-to-work exemption for those who return to teach is to be retained temporarily, or made permanent, that the costs must be recognized and appropriately funded.

Recommendation 2: Any new salary cap exemptions adopted by the General Assembly should include cost evaluations and appropriate funding measures.

Recommendation 3: Conduct a study to determine if salary cap exemptions are an effective personnel strategy for enhancing retention.

Recommendations 4 and 5 pertain to maintaining North Carolina's tax-exempt status. Maintaining the State's tax exempt status is a critical step toward preserving the retirement systems. Ensuring that North Carolina's return-to-work policies comply with IRS regulations will require two adjustments to state law.

Recommendation 4: Establish in statute a required separation from service between the times of retirement and returning to work for all retirees that resume work within the same retirement system, even those subject to earnings limitations.

- Discussions with IRS regulators lead the Retirement System to believe that current policy allowing retirees to return to work immediately, including

those abiding by earnings restrictions, places the Retirement System's tax-exempt status in jeopardy. Establishing a mandatory separation of service will ensure compliance.

Recommendation 5: Specify in statute that pre-existing employment agreements between employers and employees prior to retirement are prohibited.

- A common practice for employees who return to teach under the current exemption, as well as other employees working under the wage cap, is to establish a post-retirement employment agreement to be fulfilled when they return after the required break in service. This practice is explicitly prohibited by the IRS and threatens the Retirement System's tax-exempt status.

The final recommendation pertains to the consideration of other employee retention programs. The report proposed three:

Recommendation 6A: Conduct a comprehensive analysis of the State's total employee turnover. Derive the associated turnover costs. Begin to recognize these costs as operating expenses funded from departmental budgets. Develop a new retention program that gives department and agency management the ability to offer valuable veteran employees a bonus incentive to postpone retirement.

Recommendation 6B: Evaluate and prepare for implementation of a State phased retirement program.

Recommendation 6C: Consider the adoption of incentives, such as an increase in the retirement accrual rate for employees who have reached retirement eligibility, to encourage continued service.

The Retirement Systems Division submitted this report to members of the General Assembly on February 17, 2005.

Return to Work Cost Projections

Actuarial Cost Projections for Various Salary Cap Exemption Proposals Projections calculated in April 2004, payroll figures updated March 2005

Exemption Period 1: Six Months (current law)^				
		Extend Sunset to:		
Group	Permanent Exemption*	6/30/2005**	6/30/2006*	6/30/2007*
Teachers	\$31.1 Million (0.28%)	\$4.2 Million (0.04%)	\$7.8 Million (0.07%)	\$11.1 Million (0.10%)
Assistant Principals	\$2.2 Million (0.02%)	Less than \$1 Million	Less than \$1 Million	\$1.1 Million (0.01%)
Central Office	\$1.1 Million (0.01%)	Less than \$1 Million	Less than \$1 Million	Less than \$1 Million
Principals	\$2.2 Million (0.02%)	Less than \$1 Million	Less than \$1 Million	\$1.1 Million (0.01%)
Support Staff	\$2.2 Million (0.02%)	Less than \$1 Million	Less than \$1 Million	\$1.1 Million (0.01%)
All other State personnel	\$43.3 Million (0.39%)	\$6.4 Million (0.06%)	\$12.2 Million (0.11%)	\$16.7 Million (0.15%)
Total!	\$83.3 Million (0.75%)	\$11.6 Million (0.11%)	\$21.1 Million (0.19%)	\$31.1 Million (0.28%)

^ Figures based on 2003 Valuation and 2004 Legislation – Values will vary year to year.

* 2005 – 2006 Payroll \$11.1 Billion

** 2004-2005 Payroll \$10.6 Billion

! Totals may not be exact due to rounding

Figure 2: Percent of Total Teacher Population Eligible to Retire

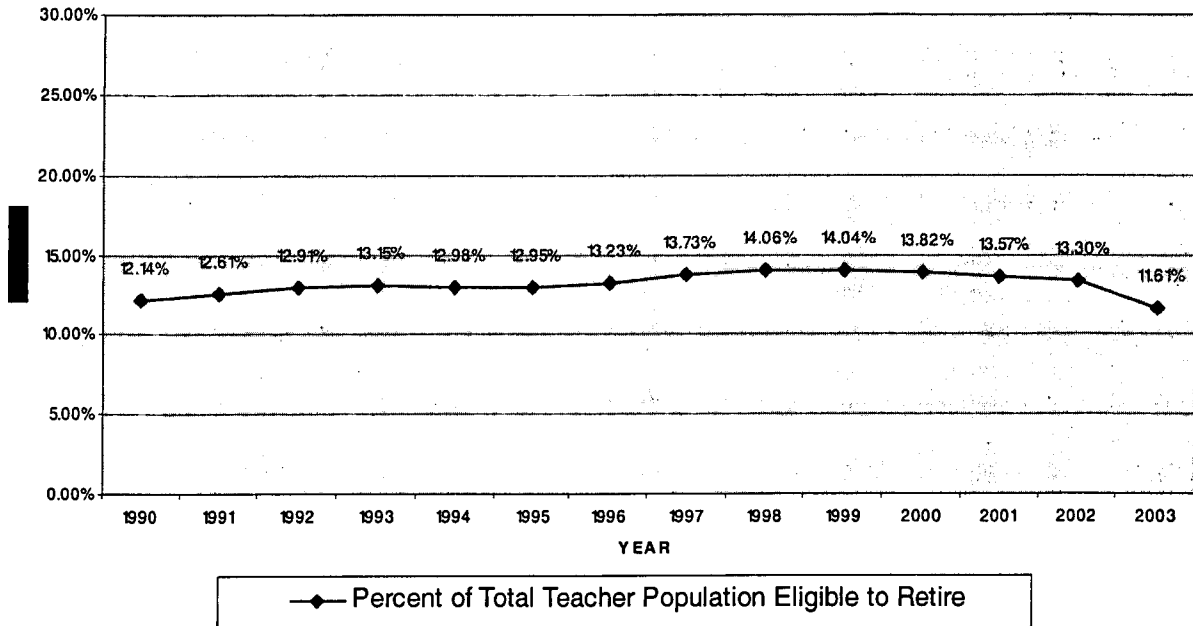
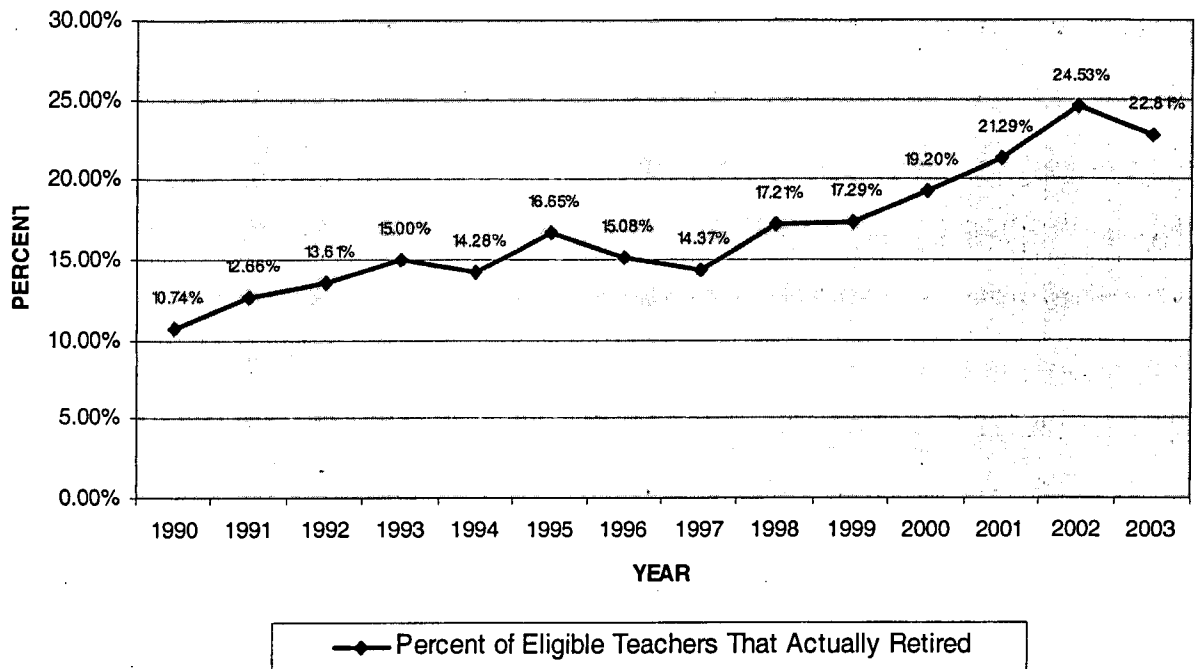


Figure 3: Percent of Retirement Eligible Teachers That Retired



Ranking of North Carolina Counties by Number of Active Employees and Retirees

Rank	County	Employees	Rank	County	Retirees
1	WAKE	45,683	1	WAKE	12,945
2	MECKLENBURG	27,599	2	GUILFORD	6,783
3	GUILFORD	20,265	3	MECKLENBURG	6,766
4	DURHAM	14,819	4	FORSYTH	4,882
5	CUMBERLAND	13,459	5	CUMBERLAND	3,761
6	FORSYTH	13,411	6	BUNCOMBE	3,729
7	ORANGE	12,054	7	DURHAM	3,698
8	PITT	11,303	8	WAYNE	3,235
9	JOHNSTON	11,032	9	PITT	2,990
10	BUNCOMBE	10,613	10	BURKE	2,945
11	NEW HANOVER	8,762	11	JOHNSTON	2,943
12	GASTON	8,331	12	ORANGE	2,784
13	WAYNE	8,072	13	GASTON	2,719
14	ALAMANCE	7,763	14	NEW HANOVER	2,437
15	ROBESON	7,300	15	DAVIDSON	2,338
16	CABARRUS	7,246	16	ALAMANCE	2,278
17	DAVIDSON	6,967	17	ROBESON	2,182
18	BURKE	6,894	18	CATAWBA	2,143
19	CATAWBA	6,602	19	ROWAN	2,133
20	ROWAN	6,286	20	LENOIR	1,990
21	UNION	6,273	21	CABARRUS	1,965
22	ONSLOW	5,666	22	CLEVELAND	1,901
23	NASH	5,608	23	GRANVILLE	1,823
24	IREDELL	5,563	24	NASH	1,765
25	RANDOLPH	5,540	25	WILSON	1,752
26	HARNETT	5,429	26	IREDELL	1,724
27	CLEVELAND	5,390	27	ROCKINGHAM	1,646
28	LENOIR	4,740	28	HARNETT	1,512
29	CHATHAM	4,715	29	UNION	1,496
30	CRAVEN	4,581	30	RANDOLPH	1,480
31	ROCKINGHAM	4,509	31	MOORE	1,421
32	MOORE	4,408	32	CRAVEN	1,417
33	GRANVILLE	4,405	33	CARTERET	1,387
34	WILSON	4,220	34	ONSLOW	1,385
35	CALDWELL	3,971	35	SURRY	1,359
36	SAMPSON	3,935	36	CHATHAM	1,329
37	WATAUGA	3,917	37	SAMPSON	1,320
38	HENDERSON	3,824	38	HAYWOOD	1,270
39	BRUNSWICK	3,817	39	CALDWELL	1,252
40	HALIFAX	3,766	40	WILKES	1,252

Source: North Carolina Retirement Systems Division 2004

Ranking of North Carolina Counties by Number of Active Employees and Retirees

41	FRANKLIN	3,685	41	BRUNSWICK	1,238
42	CARTERET	3,665	42	HALIFAX	1,234
43	HAYWOOD	3,655	43	WATAUGA	1,159
44	SURRY	3,545	44	RUTHERFORD	1,142
45	STANLY	3,492	45	COLUMBUS	1,114
46	WILKES	3,309	46	STANLY	1,091
47	RUTHERFORD	3,163	47	BEAUFORT	1,089
48	COLUMBUS	3,128	48	HENDERSON	1,064
49	DUPLIN	3,126	49	FRANKLIN	1,027
50	LINCOLN	3,114	50	DUPLIN	1,024
51	BEAUFORT	3,094	51	EDGECOMBE	992
52	PASQUOTANK	2,958	52	JACKSON	945
53	EDGECOMBE	2,832	53	LINCOLN	936
54	JACKSON	2,781	54	RICHMOND	846
55	MCDOWELL	2,746	55	PASQUOTANK	835
56	RICHMOND	2,696	56	MCDOWELL	799
57	VANCE	2,684	57	LEE	780
58	LEE	2,642	58	BLADEN	723
59	HERTFORD	2,373	59	PERSON	687
60	DARE	2,347	60	MARTIN	676
61	PENDER	2,290	61	YADKIN	656
62	PERSON	2,248	62	DAVIE	646
63	BLADEN	2,214	63	HERTFORD	627
64	DAVIE	2,092	64	PENDER	627
65	SCOTLAND	2,017	65	VANCE	622
66	ALEXANDER	1,977	66	STOKES	609
67	STOKES	1,969	67	ASHE	609
68	MARTIN	1,924	68	SCOTLAND	579
69	YADKIN	1,811	69	ANSON	540
70	ANSON	1,714	70	MONTGOMERY	539
71	MONTGOMERY	1,708	71	NORTHAMPTON	533
72	HOKE	1,661	72	BERTIE	508
73	MACON	1,619	73	ALEXANDER	495
74	ASHE	1,588	74	MACON	477
75	CASWELL	1,588	75	DARE	450
76	NORTHAMPTON	1,424	76	MADISON	450
77	BERTIE	1,408	77	TRANSYLVANIA	443
78	GREENE	1,297	78	GREENE	437
79	CHEROKEE	1,281	79	CASWELL	429
80	TRANSYLVANIA	1,277	80	YANCEY	417
81	MITCHELL	1,273	81	HOKE	406
82	YANCEY	1,263	82	CHEROKEE	392

Ranking of North Carolina Counties by Number of Active Employees and Retirees

83	CHOWAN	1,253	83	AVERY	383
84	AVERY	1,235	84	WARREN	369
85	MADISON	1,202	85	MITCHELL	342
86	WARREN	1,188	86	CHOWAN	319
87	PERQUIMANS	995	87	ALLEGHANY	317
88	CURRITUCK	920	88	POLK	312
89	WASHINGTON	914	89	WASHINGTON	279
90	ALLEGHANY	810	90	PERQUIMANS	261
91	CAMDEN	779	91	PAMLICO	256
92	POLK	773	92	JONES	228
93	GATES	770	93	GATES	227
94	PAMLICO	713	94	CAMDEN	216
95	SWAIN	666	95	CURRITUCK	201
96	HYDE	633	96	SWAIN	201
97	JONES	588	97	CLAY	186
98	GRAHAM	584	98	GRAHAM	163
99	CLAY	526	99	HYDE	155
100	TYRRELL	395	100	TYRRELL	103
	FOREIGN	45,397		FOREIGN	7,230

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

March 23, 2005

The House Committee on Pensions and Retirement met Wednesday, March 23, 2005, 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 B. Allen, Representatives Coleman, Earle, Folwell, Kiser, Ross 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 introduced Representative Wright to speak on House Bill 129. A BILL TO BE ENTITLED AN ACT TO PROVIDE COST-OF-LIVING INCREASES FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

(ATTACHMENT 2) Representative Kiser made a motion for a favorable report and that it be re-referred to the committee on Appropriations. The motion passed. (ATTACHMENT 3)

Representative Wilson introduced Representative Bell to speak on House Bill 711. A BILL TO BE ENTITLED AN ACT TO PROVIDE COST-OF-LIVING INCREASES FOR 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 4)

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

Representative Wilson introduced Representative Howard to speak on House Bill 23. A BILL TO BE ENTITLED AN ACT TO PROVIDE THAT MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND MAY ELECT TO TERMINATE MEMBERSHIP IN THE FUND AT ANYTIME, BUT THAT DELINQUENT PAYMENTS ALONE DO NOT TERMINATE MEMBERSHIP.

(ATTACHMENT 6) A Proposed Committee Substitute was offered for House Bill 23.

(ATTACHMENT 7) Representative Tolson moved for a favorable report to the committee substitute, unfavorable as to the original bill. The motion passed.

(ATTACHMENT 8)

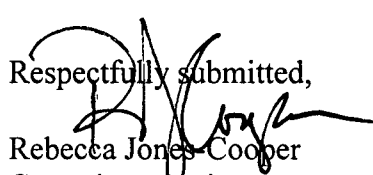
Representative Wilson introduced Representative Williams to speak on House Bill 144. A BILL TO BE ENTITLED AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND. (ATTACHMENT 9). Representative B. Allen made a motion for a favorable report and that it be re-referred to the committee on Appropriations. The motion passed. (ATTACHMENT 10).

There being no further business, Representative Wilson adjourned the meeting at 10:55 a.m.

Attachments

1. Visitation Registration Sheet
2. HB 129
3. Reports for HB 129
4. HB 711
5. Report for HB 711
6. HB 23
7. PCS for HB 23
8. Report for HB 23
9. HB 144
10. Report for HB 144

Respectfully submitted,


Rebecca Jones-Cooper
Committee Assistant

Representative Wilson

Committee Chair

Representative Bell


Committee Chair

Rebecca Jones (Rep. G. Wilson)

From: Carolyn Edwards (Rep. Bell)
Sent: Tuesday, March 22, 2005 9:30 AM
To: Rep. Julia Howard; Rep. Tom Wright; Rep. Howard Hunter; Rep. Mickey Michaux, Jr.; Rep. Tim Moore; Rep. Arthur Williams; Rep. Larry Bell
Cc: Anne Soles (Rep. Howard); Clarestene Stewart (Rep. Wright); Vanda Wilson-Wormack (Rep. Wright); Barbara Phillips (Rep. H. Hunter); Anita Wilder (Rep. Michaux)
Subject: Committee Meeting Notice - Pensions And Retirement

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2005-2006 SESSION**

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

DAY & DATE: Wednesday, March 23, 2005
TIME: 10:00 AM
LOCATION: LOB 544

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

HB 23 – FIRE AND RESCUE PENSION ELECTION – Rep. Howard
HB 129 – STATE AND LOCAL RETIREMENT COLAS – Rep. Wright
HB 142 – LAW OFFICERS' 25-YEAR RETIREMENT – Reps. Hunter, Michaux and Moore
HB 144 – INCREASE FIRE AND RESCUE SQUAD PENSION – Rep. Williams
HB 711 – RETIREMENT SYSTEMS COLAS -AB – Rep. Bell

Respectfully,
Representatives Bell and Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **10:00 A.M.** on **Monday, March 22, 2005.**

____ Principal Clerk
____ Reading Clerk - House Chamber

Carolyn A. Edwards (Committee Assistant)

3/22/2005

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

March 23, 2005

10:00 a.m.

Room 544 LOB

CHAIRS

REPRESENTATIVES

BELL AND G. WILSON

CALL TO ORDER

OPENING REMARKS

AGENDA ITEMS:

House Bill 23- Fire and Rescue Pension Election.

Representative Howard

House Bill 129- State and Local Retirement COLAs

Representative Wright

House Bill 144- Increase Fire and Rescue Squad Pension

Representative Williams

House Bill 711-Retirement System COLAs.-AB

Representative Bell

ADJOURNMENT

VISITOR REGISTRATION SHEET

Pensions & Retirement

3-23-05

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Doc Perry - Hill	NV Dept of Public Inst
ELLIS HANKINS	NCLM
Paul Meyer	NCALL
Frank Herbert	NCR/SB
Ed Regan	NCRGEA
Rogues Bone	Bone & Assoc
David Anders	PFFPNC
Hilary Arthur	NCASA
June Rivers	SAS
Don McCorquodale	"
Len Wilson	NCAITCF

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

Cam Cover

BPML

JENN MIDGETT

NC PBA.

Chip Kuthin

Rock County

DAVID BARMOZ

P78

Johnny Carson

NCALA

Evelyn Hawthorne

TX ALA

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

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HOUSE BILL 129

Short Title: State and Local Retirement COLAs.

(Public)

Sponsors: Representatives Wright; B. Allen, Bell, Coleman, Faison,
Farmer-Butterfield, Luebke, Ross, Tucker, and Weiss.

Referred to: Pensions and Retirement.

February 9, 2005

A BILL TO BE ENTITLED

AN ACT TO PROVIDE COST-OF-LIVING INCREASES FOR MEMBERS OF THE
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-5 is amended by adding a new subsection to read:

"(nnn) From and after July 1, 2005, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2004, shall be increased by one and forty-six hundredths percent (1.46%) of the allowance payable on June 1, 2005, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2005, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2004, but before June 30, 2005, shall be increased by a prorated amount of one and forty-six hundredths percent (1.46%) 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, 2004, and June 30, 2005."

SECTION 2. G.S. 128-27 is amended by adding a new subsection to read:

"(ggg) From and after July 1, 2005, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2004, shall be increased by four percent (4.0%) of the allowance payable on June 1, 2005, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2005, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2004, but before June 30, 2005, shall be increased by a prorated amount of four percent (4.0%) 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, 2004, and June 30, 2005."

SECTION 3. This act becomes effective July 1, 2005.



**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

Thomas L. 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

February 16, 2005

MEMORANDUM

TO: Representative Thomas Wright

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 129

Re: State and Local Colas

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
Representatives Bell and Wilson

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Mellon, February 1, 2005
- (3) Actuarial Note. Hartman & Associates, February 11, 2005

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 129 (First Edition)

SHORT TITLE: State and Local Retirement COLAs.

SPONSOR(S): Representative Wright

FUNDS AFFECTED: General Fund, Highway Fund, and Receipt Fund for the Teachers' and State Employees' Retirement System and Local Funds for the Local Governmental Employees' Retirement System

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

EFFECTIVE DATE: July 1, 2005

BILL SUMMARY: Provides a post-retirement increase of 1.46% in the benefits of retirees of the Teachers' and State Employees' Retirement System and a post-retirement increase of 4% in the benefits of retirees of the Local Governmental Employees' Retirement System.

ESTIMATED IMPACT: Teachers' and State Employees' Retirement System

Retirement System Actuary: Mellon estimates the cost to be 0.47% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$37.9M	\$39.7M	\$41.6M	\$43.6M	\$45.6M
Highway Fund	\$ 1.9M	\$ 2.0M	\$ 2.1M	\$ 2.2M	\$ 2.3M
Receipt Funds	<u>\$12.4M</u>	<u>\$13.0M</u>	<u>\$13.6M</u>	<u>\$14.2M</u>	<u>\$14.9M</u>
TOTAL COST	\$52.2M	\$54.7M	\$57.3M	\$60.0M	\$62.8M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.44% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$35.5M	\$37.2M	\$38.9M	\$40.8M	\$42.7M
Highway Fund	\$ 1.8M	\$ 1.9M	\$ 1.9M	\$ 2.0M	\$ 2.1M
Receipt Funds	<u>\$11.6M</u>	<u>\$12.2M</u>	<u>\$12.7M</u>	<u>\$13.3M</u>	<u>\$14.0M</u>
TOTAL COST	\$48.8M	\$51.2M	\$53.6M	\$56.2M	\$58.8M

There are available gains of 0.47% of payroll in the Teachers' and State Employees' Retirement System to fund this cost-of-living adjustment, without increasing the contribution rate.

ESTIMATED IMPACT: Local Governmental Employees' Retirement System

Retirement System Actuary: Mellon estimates the cost to be 0.52% of the payroll of all members of the Local Governmental Employees' Retirement System.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Local Funds	\$22.2M	\$23.5M	\$24.9M	\$26.4M	\$27.9M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.48% of the payroll of all members of the Local Governmental Employees' Retirement System.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Local Funds	\$20.5M	\$21.7M	\$23.0M	\$24.3M	\$25.8M

There are available gains of 0.52% of payroll in the Local Governmental Employees' Retirement System to fund this cost-of-living adjustment without increasing the contribution rates of each employer.

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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 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, 2003 actuarial valuation of the fund. The data included 119,755 active members with an annual payroll of \$3.9 billion and 34,861 retired members in receipt of annual pensions totaling \$487.5 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

TECHNICAL CONSIDERATIONS: None

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: February 14, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices

**Mellon**

Human Resources & Investor Solutions

February 1, 2005

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

Proposal - 1% COLA

Dear Mr. Joyal:

We have received your request of January 27 regarding a Proposal, which affects North Carolina retirement systems.

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, 2004, and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 2004 and before June 30, 2005, with all increases payable effective July 1, 2005. The cost of this proposed change is 0.32% of payroll.

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

This proposed legislation also appears to grant a post-retirement increase in the allowances of retirees and other beneficiaries of the Local Governmental Employees' Retirement System equal to 1.0% for those who commenced retirement on and before July 1, 2004, and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 2004 and before June 30, 2005, with all increases payable effective July 1, 2005. The cost of this proposed change is 0.13% of payroll.

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Mr. J. Brett Joyal
February 1, 2005
Page 2

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, 2004 and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 2004 and before June 30, 2005, with all increases payable effective July 1, 2005. The cost of this proposed change is 0.49% 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

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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

February 11, 2005

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, LGERS, CJRS and LRS Systems

Dear Mr. Moore:

You have requested the cost of providing a 1.0% cost of living adjustment, effective July 1, 2005, for beneficiaries of the Teachers' and State Employees' Retirement System (TSERS), the Local Governmental Employees' Retirement System (LGERS), the Consolidated Judicial Retirement System (CJRS) and the Legislative Retirement System (LRS). The specific benefit increases are as follows:

1. In the TSERS, LGERS and CJRS, increase the retirement allowance 1.0% for all beneficiaries who retired on or before July 1, 2004, with a prorated increase for retirements between July 1, 2004 and June 30, 2005.
2. In the LRS, increase the retirement allowance 1.0% for all beneficiaries who retired on or before January 1, 2005, with a prorated increase for retirements after January 1, 2005 and before June 30, 2005.

The estimated costs for a 1% COLA are shown below for each system. Costs are for the fiscal year beginning July 1, 2005 and are expressed as a percentage of payroll.

<u>System</u>	<u>Retiree COLA</u>	<u>Amort. Period for Unfunded Liability</u>
TSERS	0.30%	9 years
LGERS	0.12	N/A
CJRS	0.46	9 years
LRS	0.48	8 years

Mr. Stanley Moore
February 11, 2005

Page 2

These estimates are based on the most recent actuarial valuations prepared as of December 31, 2003. Costs for COLA adjustments other than 1.0% would be proportionate to the above values.

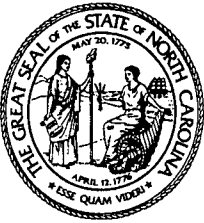
If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/jj



HOUSE BILL 129: State and Local Retirement COLAs.

BILL ANALYSIS

Committee: House Pensions and Retirement
Date: March 23, 2005
Version: First Edition

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

SUMMARY: *House Bill 129 provides a one and forty-six hundredths percent (1.46%) increase to retired beneficiaries of the Teachers' and State Employees' Retirement System, and a four percent (4%) increase to retired beneficiaries of the Local Governmental Employees' Retirement System. The increase becomes effective July 1, 2005.*

BILL ANALYSIS:

Section 1

Chapter 135, Article 1, Section 5 of the General Statutes pertains to the benefits of the *Retirement System for Teachers and State Employees*. House Bill 129 increases by one and forty-six hundredths percent (1.46%), the retirement allowance paid to or on account of beneficiaries whose retirement commenced on or before July 1, 2004. Beneficiaries whose retirement commences after July 1, 2004, but before June 30, 2005 shall receive a prorated amount of the increase.

Section 2

Chapter 128, Article 3, Section 27 of the General Statutes pertains to the benefits of the *Local Governmental Employees' Retirement System*. House Bill 129 increases by four percent (4.0%), the retirement allowance paid to or on account of beneficiaries whose retirement commenced on or before July 1, 2004. Beneficiaries whose retirement commences after July 1, 2004, but before June 30, 2005 shall receive a prorated amount of the increase.

This act would become effective July 1, 2005.

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representatives **Bell and Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for

H.B. 129 A BILL TO BE ENTITLED AN ACT TO PROVIDE COST OF LIVING INCREASES FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

☐ With a favorable report as to 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
____ the House amendment (s).
____ the 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.

AH 4

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

1

HOUSE BILL 711

Short Title: Retirement System COLAs.-AB

(Public)

Sponsors: Representatives Bell; Coleman, Faison, Farmer-Butterfield, and Wainwright.

Referred to: Pensions and Retirement.

March 17, 2005

A BILL TO BE ENTITLED

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

"(nnn) From and after July 1, 2005, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2004, shall be increased by three and three-tenths percent (3.3%) of the allowance payable on June 1, 2005, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2005, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2004, but before June 30, 2005, shall be increased by a prorated amount of three and three-tenths percent (3.3%) 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, 2004, and June 30, 2005."

SECTION 2. G.S. 128-27 is amended by adding a new subsection to read:

"(ggg) From and after July 1, 2005, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2004, shall be increased by three and three-tenths percent (3.3%) of the allowance payable on June 1, 2005, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2005, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2004, but before June 30, 2005, shall be increased by a prorated amount of three and three-tenths percent (3.3%) 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, 2004, and June 30, 2005."

1 **SECTION 3.** G.S. 120-4.22A is amended by adding a new subsection to
2 read:

3 "(t) In accordance with subsection (a) of this section, from and after July 1, 2005,
4 the retirement allowance to or on account of beneficiaries whose retirement commenced
5 on or before January 1, 2005, shall be increased by three and three-tenths percent
6 (3.3%) of the allowance payable on June 1, 2005. Furthermore, from and after July 1,
7 2005, the retirement allowance to or on account of beneficiaries whose retirement
8 commenced after January 1, 2005, but before June 30, 2005, shall be increased by a
9 prorated amount of three and three-tenths percent (3.3%) of the allowance payable as
10 determined by the Board of Trustees based upon the number of months that a retirement
11 allowance was paid between January 1, 2005, and June 30, 2005."

12 **SECTION 4.** G.S. 135-65 is amended by adding a new subsection to read:

13 "(z) From and after July 1, 2005, the retirement allowance to or on account of
14 beneficiaries whose retirement commenced on or before July 1, 2004, shall be increased
15 by three and three-tenths percent (3.3%) of the allowance payable on June 1, 2005, in
16 accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2005, the retirement
17 allowance to or on account of beneficiaries whose retirement commenced after July 1,
18 2004, but before June 30, 2005, shall be increased by a prorated amount of three and
19 three-tenths percent (3.3%) of the allowance payable as determined by the Board of
20 Trustees based upon the number of months that a retirement allowance was paid
21 between July 1, 2004, and June 30, 2005."

22 **SECTION 5.** This act becomes effective July 1, 2005.



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

March 21, 2005

MEMORANDUM

TO: Representative Larry Bell

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 711

Re: Provides a post-retirement increase of 3.3% in the benefits of retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System and the Local Governmental Employees' Retirement System.

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
Representative Wilson

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note: Mellon, February 1, 2005
- (3) Actuarial Note: Hartman & Associates, February 11, 2005
- (4) Actuarial Note: Charles Dunn, February 12, 2005

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 711 (First Edition)

SHORT TITLE: Retirement System COLAs.-AB

SPONSOR(S): Representative Bell

FUNDS AFFECTED: General Fund, Highway Fund, and Receipt Fund and Local Funds for the Local Governmental Employees' Retirement System

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

EFFECTIVE DATE: July 1, 2005

BILL SUMMARY: Provides a post-retirement increase of 3.3% in the benefits of retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System and the Local Governmental Employees' Retirement System.

ESTIMATED IMPACT: Teachers' and State Employees' Retirement System

Retirement System Actuary: Mellon estimates the cost to be 1.06% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$85.5M	\$89.5M	\$93.8M	\$98.3M	\$102.9M
Highway Fund	\$ 4.3M	\$ 4.5M	\$ 4.7M	\$ 4.9M	\$ 5.1M
Receipt Funds	<u>\$28.0M</u>	<u>\$29.3M</u>	<u>\$30.7M</u>	<u>\$32.2M</u>	<u>\$ 33.7M</u>
TOTAL COST	\$117.7M	\$123.3M	\$129.2M	\$135.3M	\$141.7M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.99% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$79.8M	\$83.6M	\$87.6M	\$91.8M	\$96.1M
Highway Fund	\$ 4.0M	\$ 4.2M	\$ 4.4M	\$ 4.6M	\$ 4.8M
Receipt Funds	<u>\$26.1M</u>	<u>\$27.4M</u>	<u>\$28.7M</u>	<u>\$30.0M</u>	<u>\$31.5M</u>
TOTAL COST	\$109.9M	\$115.1M	\$120.6M	\$126.4M	\$132.4M

There are available gains of 0.47% of payroll in the Teachers' and State Employees' Retirement System so a direct appropriation to the retirement system would be necessary to pay the additional cost.

Consolidated Judicial Retirement System

Retirement System Actuary: Mellon estimates the cost to be 1.62% of payroll.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$848,880	\$882,071	\$916,560	\$952,398	\$989,636

General Assembly Actuary: Hartman & Associates estimates the cost to be 1.52% of payroll.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$796,480	\$827,622	\$859,982	\$893,608	\$987,219

There are available gains of 1.51% of payroll in the Consolidated Judicial Retirement System so a direct appropriation to the retirement system would be necessary to pay the cost.

Legislative Retirement System

Retirement System Actuary: Charles Dunn estimates the cost to be 1.62% of payroll.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$58,320	\$58,320	\$58,320	\$58,320	\$58,320

General Assembly Actuary: Hartman & Associates estimates the cost to be 1.58% of payroll.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$56,880	\$56,880	\$56,880	\$56,880	\$56,880

ESTIMATED IMPACT: Local Governmental Employees' Retirement System

Retirement System Actuary: Mellon estimates the cost to be 0.43% of the payroll of all members of the Local Governmental Employees' Retirement System.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Local Funds	\$18.4M	\$19.4M	\$20.6M	\$21.8M	\$23.1M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.40% of the payroll of all members of the Local Governmental Employees' Retirement System.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Local Funds	\$17.1M	\$18.1M	\$19.2M	\$20.3M	\$21.5M

There are available gains of 0.52% of payroll in the Local Governmental Employees' Retirement System to fund this cost-of-living adjustment without increasing the contribution rates of each employer.

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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired

members in receipt of annual pensions totaling \$2.1 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, 2003 actuarial valuation of the fund. The data included 497 active members with an annual payroll of \$49.5 million and 408 retired members in receipt of annual pensions totaling \$19 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, 2003 actuarial valuation of the fund. The data included 170 active members with an annual payroll of \$3.7 million and 235 retired members in receipt of annual pensions totaling \$1.5 million. 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.

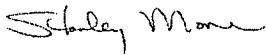
Local Governmental Employees' Retirement System

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, 2003 actuarial valuation of the fund. The data included 119,755 active members with an annual payroll of \$3.9 billion and 34,861 retired members in receipt of annual pensions totaling \$487.5 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

TECHNICAL CONSIDERATIONS: None

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 21, 2005



Human Resources & Investor Solutions

February 1, 2005

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

Proposal - 1% COLA

Dear Mr. Joyal:

We have received your request of January 27 regarding a Proposal, which affects North Carolina retirement systems.

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, 2004, and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 2004 and before June 30, 2005, with all increases payable effective July 1, 2005. The cost of this proposed change is 0.32% of payroll.

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

This proposed legislation also appears to grant a post-retirement increase in the allowances of retirees and other beneficiaries of the Local Governmental Employees' Retirement System equal to 1.0% for those who commenced retirement on and before July 1, 2004, and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 2004 and before June 30, 2005, with all increases payable effective July 1, 2005. The cost of this proposed change is 0.13% of payroll.

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Mr. J. Brett Joyal
February 1, 2005
Page 2

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, 2004 and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 2004 and before June 30, 2005, with all increases payable effective July 1, 2005. The cost of this proposed change is 0.49% 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

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387 RFT03-169

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

February 11, 2005

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, LGERS, CJRS and LRS Systems

Dear Mr. Moore:

You have requested the cost of providing a 1.0% cost of living adjustment, effective July 1, 2005, for beneficiaries of the Teachers' and State Employees' Retirement System (TSERS), the Local Governmental Employees' Retirement System (LGERS), the Consolidated Judicial Retirement System (CJRS) and the Legislative Retirement System (LRS). The specific benefit increases are as follows:

1. In the TSERS, LGERS and CJRS, increase the retirement allowance 1.0% for all beneficiaries who retired on or before July 1, 2004, with a prorated increase for retirements between July 1, 2004 and June 30, 2005.
2. In the LRS, increase the retirement allowance 1.0% for all beneficiaries who retired on or before January 1, 2005, with a prorated increase for retirements after January 1, 2005 and before June 30, 2005.

The estimated costs for a 1% COLA are shown below for each system. Costs are for the fiscal year beginning July 1, 2005 and are expressed as a percentage of payroll.

<u>System</u>	<u>Retiree COLA</u>	<u>Amort. Period for Unfunded Liability</u>
TSERS	0.30%	9 years
LGERS	0.12	N/A
CJRS	0.46	9 years
LRS	0.48	8 years

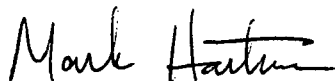
Mr. Stanley Moore
February 11, 2005

Page 2

These estimates are based on the most recent actuarial valuations prepared as of December 31, 2003. Costs for COLA adjustments other than 1.0% would be proportionate to the above values.

If you have any questions, let me know.

Sincerely,



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

MVH/jj

CHARLES W. DUNN

CONSULTING ACTUARY

Phone/Fax: (919) 787-8989

*2008 Nancy Ann Drive
Raleigh, NC 27607*

February 12, 2005

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

RE: COLA to provide a 1.0% increase to retirees of the Legislative Retirement System

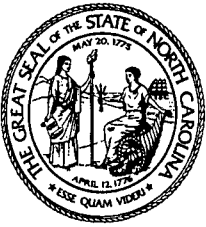
Dear Mr. Moore:

This COLA would provide an increase of 1.0% in the retirement allowance for beneficiaries of the Legislative Retirement System who retired on or before January 1, 2005. A prorated amount of the 1.0% increase would be provided for the beneficiaries who retired after January 1, 2005, but before July 1, 2005. The increase would be effective July 1, 2005.

The estimated cost of this increase as a percent of payroll is 0.71% for a 5-year amortization period and 0.49% for an 8-year amortization period.

Sincerely yours,

Charles W. Dunn, FSA, MAAA



HOUSE BILL 711: Retirement System COLAs.-AB

BILL ANALYSIS

Committee: House Pensions and Retirement
Date: March 23, 2005
Version: First Edition

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

SUMMARY: *House Bill 711 provides a three and three-tenths percent (3.3%) increase to retired beneficiaries of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Local Governmental Employees' Retirement System, and the Legislative Retirement System. The increase becomes effective July 1, 2005.*

BILL ANALYSIS:

Section 1.

Chapter 135, Article 1, Section 5 of the General Statutes pertains to the benefits of the *Retirement System for Teachers and State Employees*. House Bill 711 increases by three and three-tenths percent (3.3%), the retirement allowance paid to or on account of beneficiaries whose retirement commenced on or before July 1, 2004. Beneficiaries whose retirement commences after July 1, 2004, but before June 30, 2005 shall receive a prorated amount of the increase.

Section 2.

Chapter 128, Article 3, Section 27 of the General Statutes pertains to the benefits of the *Local Governmental Employees' Retirement System*. House Bill 711 increases by three and three-tenths percent (3.3%), the retirement allowance paid to or on account of beneficiaries whose retirement commenced on or before July 1, 2004. Beneficiaries whose retirement commences after July 1, 2004, but before June 30, 2005 shall receive a prorated amount of the increase.

Section 3.

Chapter 120, Article 1A, Section 22A of the General Statutes pertains to the post-retirement increases in allowances in the *Legislative Retirement System*. House Bill 711 increases by three and three-tenths percent (3.3%), the retirement allowance paid to or on account of beneficiaries whose retirement commenced on or before January 1, 2005. Beneficiaries whose retirement commences after January 1, 2005, but before June 30, 2005 shall receive a prorated amount of the increase.

Section 4.

Chapter 135, Article 4, Section 65 of the General Statutes pertains to the post-retirement increases in allowances in the *Consolidated Judicial Retirement System*. The bill increases by three and three-tenths percent (3.3%), the retirement allowance paid to or on account of beneficiaries whose retirement commenced on or before July 1, 2004. Beneficiaries whose retirement commences after July 1, 2004, but before June 30, 2005 shall receive a prorated amount of the increase.

This act would become effective July 1, 2005.

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representatives **Bell and Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for

H.B. 711 A BILL TO BE ENTITLED AN ACT TO PROVIDE COST OF LIVING INCREASES FOR 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

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
____ the House amendment (s).
____ the 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.

Att. 6

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

1

HOUSE BILL 23

Short Title: Fire and Rescue Pension Election.

(Public)

Sponsors: Representatives Howard; LaRoque and Wray.

Referred to: Pensions and Retirement.

February 1, 2005

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT MEMBERS OF THE FIREMEN'S AND RESCUE
SQUAD WORKERS' PENSION FUND MAY ELECT TO TERMINATE
MEMBERSHIP IN THE FUND AT ANYTIME, BUT THAT DELINQUENT
PAYMENTS ALONE DO NOT TERMINATE MEMBERSHIP.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-86-85 is repealed.

SECTION 2. G.S. 58-86-35 reads as rewritten:

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

Those firemen who are eligible pursuant to G.S. 58-86-25 may make application for
membership to the board. Each fireman upon becoming a member of the fund shall pay
the director of the fund the sum of ten dollars (\$10.00) per month. The monthly
payments shall be credited to the separate account of the member and shall be kept by
the custodian so it is available for payment on withdrawal from membership or
retirement.

A member may elect to terminate membership in the fund at anytime and request the
refund of payments previously made to the fund. However, a member's delinquency in
making the monthly payments required by this section does not result in the termination
of membership without such an election by the member."

SECTION 3. G.S. 58-86-40 reads as rewritten:

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

Those rescue squad workers eligible pursuant to G.S. 58-86-30 may apply to the
board for membership. Each eligible rescue squad worker upon becoming a member
shall pay the director of the fund the sum of ten dollars (\$10.00) per month. The
monthly payments shall be credited to the separate account of the member and shall be

1 kept by the custodian so it is available for payment on withdrawal from membership or
2 retirement.

3 A member may elect to terminate membership in the fund at anytime and request the
4 refund of payments previously made to the fund. However, a member's delinquency in
5 making the monthly payments required by this section does not result in the termination
6 of membership without such an election by the member."

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

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

D

HOUSE BILL 23

PROPOSED COMMITTEE SUBSTITUTE H23-PCS70240-SH-6

Short Title: Fire and Rescue Pension Election.

(Public)

Sponsors:

Referred to:

February 1, 2005

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND MAY ELECT TO TERMINATE MEMBERSHIP IN THE FUND AT ANYTIME, BUT THAT DELINQUENT PAYMENTS ALONE DO NOT TERMINATE MEMBERSHIP.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-86-85 is repealed.**SECTION 2.** G.S. 58-86-35 reads as rewritten:

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

Those firemen who are eligible pursuant to G.S. 58-86-25 may make application for membership to the board. Each fireman upon becoming a member of the fund shall pay the director of the fund the sum of ten dollars (\$10.00) per month. The monthly payments shall be credited to the separate account of the member and shall be kept by the custodian so it is available for payment on withdrawal from membership or retirement.

A member may elect to terminate membership in the fund at any time and request the refund of payments previously made to the fund. However, a member's delinquency in making the monthly payments required by this section does not result in the termination of membership without such an election by the member."

SECTION 3. G.S. 58-86-40 reads as rewritten:

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

Those rescue squad workers eligible pursuant to G.S. 58-86-30 may apply to the board for membership. Each eligible rescue squad worker upon becoming a member shall pay the director of the fund the sum of ten dollars (\$10.00) per month. The

1 monthly payments shall be credited to the separate account of the member and shall be
2 kept by the custodian so it is available for payment on withdrawal from membership or
3 retirement.

4 A member may elect to terminate membership in the fund at any time and request
5 the refund of payments previously made to the fund. However, a member's delinquency
6 in making the monthly payments required by this section does not result in the
7 termination of membership without such an election by the member."

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



**North Carolina General Assembly
Legislative Services Office**

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300 N. Salisbury St. Rm 545
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(919) 733-2578

February 17, 2005

MEMORANDUM

TO: Representative Julia Howard

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 23

Re: Provides that members of the Firemen's and Rescue Squad Workers' Pension Fund may elect to terminate membership in Fund at anytime.

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
Representatives Bell and Wilson

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Mellon, February 16, 2005
- (3) Actuarial Note. Hartman & Associates, February 8, 2005

GENERAL ASSEMBLY OF NORTH CAROLINA



BILL NUMBER: House Bill 23 (First Edition)

SHORT TITLE: Fire and Rescue Pension Election.

SPONSOR(S): Representative Howard

FUNDS AFFECTED: General Fund

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

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: Repeals the law that requires the Pension Fund to refund a member's contribution if the member becomes six months delinquent in making contributions, thereby forfeiting all service in the Fund. Further allows that a member may elect to terminate membership in the Fund and receive a refund of his contributions.

ESTIMATED IMPACT ON STATE: Both the Fund's actuary, Mellon, and the General Assembly's actuary, Hartman & Associates, LLC, agree that the passage of the bill is not expected to have a significant impact on the Fund.

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, 2004 actuarial valuation of the fund. The data included 32,811 active members and 9,194 retired members in receipt of annual pensions totaling \$17.8 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

TECHNICAL CONSIDERATIONS: None

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: February 17, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices



Human Resources & Investor Solutions

February 16, 2005

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division

Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

Dear Mr. Joyal:

House Bill 23

We have received your letter of February 4 regarding House Bill 23 which affects the North Carolina Firemen's and Rescue Squad Workers' Pension Fund.

This legislation would repeal G.S. 58-86-85, which requires that any member who becomes six months delinquent in making required monthly payments to the fund shall forfeit membership.

In addition, this legislation provides that members of the Firemen and Rescue Squad Workers' Pension Fund may elect to terminate membership in the fund at anytime, but that delinquent payments alone do not terminate membership.

There would be no cost for this legislation. This legislation would cause members of this pension fund to be treated in a similar manner as members of other retirement systems in the State.

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

Sincerely,

A handwritten signature in black ink, appearing to read "EAM", with a long, sweeping horizontal stroke extending to the right.

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sh

P:\North Carolina Fire & Rescue\2005\Retirement\Correspondence\House Bill 23.doc
1950 RE703-013

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

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

February 8, 2005

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

Re: House Bill 23: An Act to Provide that the Members of the FRSW may
Terminate Membership at Anytime, but Delinquent Payments do not
Terminate Membership

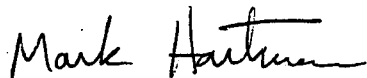
Dear Mr. Moore:

This bill repeals G.S. 58-86-85 and amends G.S. 58-86-35 and 58-86-40 to modify the termination provisions for members of the Firemen's and Rescue Squad Workers' Pension Fund (FRSW). Currently, G.S. 58-86-85 provides that a member who becomes six months delinquent in making his monthly contribution to the fund shall forfeit his membership. This bill would allow a member to terminate his membership in the fund and request a refund of prior payments, but would provide that delinquency in monthly contributions does not result in automatic termination. This act is effective when it becomes law.

The changes provided by this act are not expected to have a significant financial impact on the FRSW.

If you have any questions, let me know.

Sincerely,



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

MVH/jj

2005 COMMITTEE REPORT HOUSE OF REPRESENTATIVES

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

By Representatives **Bell and Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for

H.B. 23 A BILL TO BE ENTITLED AN ACT TO PROVIDE THAT MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND MAY ELECT TO TERMINATE MEMBERSHIP IN THE FUND AT ANYTIME, BUT THAT DELINQUENT PAYMENTS ALONE DO NOT TERMINATE MEMBERSHIP.

☐ 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

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

1

HOUSE BILL 144

Short Title: Increase Fire and Rescue Squad Pension. (Public)

Sponsors: Representatives Williams; B. Allen, L. Allen, Bell, Carney, Church, Coates, Cole, Daughtridge, Earle, England, Faison, Farmer-Butterfield, Frye, Gillespie, Goforth, Grady, Hackney, Howard, Jeffus, LaRoque, Lucas, McLawhorn, Moore, Nye, Owens, Pate, Preston, Rapp, Sauls, Steen, Tolson, Tucker, Wainwright, Warren, and Wray.

Referred to: Pensions and Retirement.

February 9, 2005

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 sixty-one dollars (\$161.00)~~ one hundred sixty-three dollars (\$163.00) per month. Any retired fireman receiving a pension shall, effective ~~July 1, 2004~~, July 1, 2005, receive a pension of ~~one hundred sixty-one dollars (\$161.00)~~ one hundred sixty-three dollars (\$163.00) 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

1 entitled to be paid from the fund a monthly benefit in an amount of ~~one hundred~~
2 ~~sixty-one dollars (\$161.00)~~ one hundred sixty-three dollars (\$163.00) per month
3 beginning the first month after the member's fifty-fifth birthday. All applications for
4 disability are subject to the approval of the board who may appoint physicians to
5 examine and evaluate the disabled member prior to approval of the application, and
6 annually thereafter. Any disabled member shall not be required to make the monthly
7 payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

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

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

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

32 **SECTION 2.** This act becomes effective July 1, 2005.



**North Carolina General Assembly
Legislative Services Office**

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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

February 16, 2005

MEMORANDUM

TO: Representative Arthur Williams

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 144

Re: Increase Fire and Rescue Squad Pension

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
Representatives Bell and Wilson

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Mellon, February 1, 2005
- (3) Actuarial Note. Hartman & Associates, February 11, 2005

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 144 (First Edition)

SHORT TITLE: Increase Fire and Rescue Squad Pension.

SPONSOR(S): Representative Williams

FUNDS AFFECTED: General Fund

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

EFFECTIVE DATE: July 1, 2005

BILL SUMMARY: Increases the monthly benefit to retirees and future retirees of the Firemen's and Rescue Squad Workers' Pension Fund from \$161 to \$163.

ESTIMATED IMPACT ON STATE:

Both the Fund's actuary, Mellon, and the General Assembly's actuary, Hartman & Associates, LLC, estimates the cost to be as follows:

	2005-06	2006-07	2007-08	2008-09	2009-10
Benefit Increase	\$607,708	\$607,708	\$607,708	\$607,708	\$607,708

There are actuarial gains in the Fund in the amount of \$202,430 so an appropriation of \$405,278 is required.

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, 2004 actuarial valuation of the fund. The data included 32,811 active members and 9,194 retired members in receipt of annual pensions totaling \$17.8 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

TECHNICAL CONSIDERATIONS: None

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: February 14, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices



Human Resources & Investor Solutions

February 1, 2005

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

Proposal – \$1 Benefit Increase

Dear Mr. Joyal:

We have received your request of January 27 regarding a proposal which affects the Firemen's and Rescue Squad Workers' Pension Fund.

This legislation appears to provide for a one-dollar (\$1.00) increase in the monthly pensions payable to current and future pensioners from this Pension Fund. The current monthly pension payment is \$161.00 to all pensioners. The proposed monthly pension payment would be \$162.00 to all pensioners.

Our cost estimate for this legislation is based on the Fund's valuation as of June 30, 2004, including a funding basis of nine years for liquidation of unfunded accrued liabilities. The funding mechanism for this legislation would be to utilize the Pension Fund's unencumbered actuarial gains as of June 30, 2004.

Under the assumption that \$7,521,179 is the budgeted annual contribution amount for the 2005-06 fiscal year, and assuming no repayment of the \$737,027 net pension obligation, there is \$202,430 available from actuarial gains as of June 30, 2004, to offset the required contributions for benefit improvements. The annual cost of this proposed legislation is \$303,854. Therefore, this legislation would require an additional appropriation of \$101,424 for the 2005-06 fiscal year. The following table shows the required annual contribution for this legislation and the offsetting use of gains.

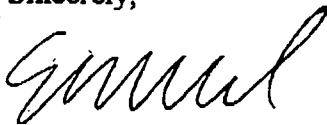
Mr. J. Brett Joyal
February 1, 2005
Page 2

**ADDITIONAL ANNUAL CONTRIBUTIONS PAYABLE BY THE STATE
FOR AN INCREASE IN PENSION FROM \$161 TO \$162
FOR CURRENT AND FUTURE RETIRED MEMBERS**

Additional contribution for \$1.00 increase:	
Normal	\$ 41,998
Accrued liability	<u>261,856</u>
Total	\$ 303,854
Available annual contribution due to actuarial gains From 6-30-2004 valuation	
	\$ 202,430
Additional appropriation required	\$ 101,424

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

P:\North Carolina Fire & Rescue\2005 Retirement Correspondence\Proposed - \$1 Benefit Incr.doc
1950 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

February 11, 2005

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

Re: \$1 Increase in the Monthly Pension for Members of the FRSW

Dear Mr. Moore:

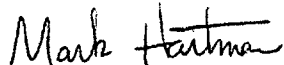
You have requested the cost of a \$1.00 increase in the monthly retirement benefit in the Firemen's and Rescue Squad Workers' Pension Fund (FRSW). Currently, the FRSW provides a retirement benefit of \$161 per month for current and future retirees. This provision would become effective July 1, 2005.

An 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 for each \$1.00 increase in the benefit amount for the fiscal year beginning July 1, 2005, is \$303,997.

This estimate is based on the data contained in the most recent actuarial valuation prepared as of June 30, 2004.

If you have any questions, let me know.

Sincerely,



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

MVH/jj

2005 COMMITTEE REPORT HOUSE OF REPRESENTATIVES

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

By Representatives **Bell and Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for

H.B. 144 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

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
____ the House amendment (s).
____ the 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.

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
April 6, 2005

The House Committee on Pensions and Retirement met at 10:00 a.m. on Wednesday, April 6, 2005 in Room 544 of the Legislative Office Building. The following **Representatives** were present: **Chairs: Bell, and Wilson; Vice Chair: B. Allen; Members: Coleman, Earle, Folwell, Kiser, Ross, and Tolson.**

Fiscal Research - Stanley Moore; Research staff persons included: **Attorney** – Karen Cochrane-Brown; **Legislative Analyst** – Theresa Matula; **Legislative Committee Assistants** - Carolyn Edwards and Rebecca Jones-Cooper. The Agenda, Pages/Sergeant at Arms and Visitor Registration Sheets are attached and incorporated into the minutes.

Chairman Bell changed the agenda and called **Representative Jeffus** to present **HB 535 – A BILL TO BE ENTITLED AN ACT TO GIVE TEACHERS CREDIT FOR THE EXCESS PERSONAL LEAVE TIME THAT THEY EARN AND TO ENSURE THAT TEACHERS CAN TAKE PERSONAL LEAVE WITH FIVE DAYS' NOTICE.**

Representative Jeffus explained that teachers earn personal leave days at the rate of two days per year, and at year end, up to five days can be carried forward into the next year. Any balance over five days at the end of each year will be converted to sick leave, which the teacher can use for sick leave purposes or to add additional retirement service at the date of retirement. At retirement, one month of additional service is allowed for each 20 days of sick leave.

Representative Ross makes a statement in support in the bill saying that the teachers in her district specifically asked her about creating legislation in the particular area and motions for HB-535 to receive a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations.

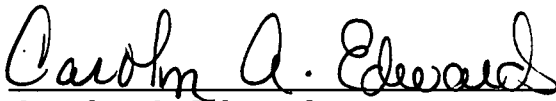
Chairman Bell calls for a vote and the motion carries.

Chairman Bell called **Representative Ray** to present **HB 612 A BILL TO BE ENTITLED AN ACT TO AUTHORIZE THE TOWN OF TROUTMAN TO PARTICIPATE IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM WITHOUT PROVIDING PRIOR SERVICE CREDITS TO ITS EMPLOYEES.**

Representative Ray explained that this bill was by unanimous vote of the town council to request that the town of Troutman be allow to participate in the Local Governmental Employees' Retirement System without providing prior service credits to its employees. It does not require the town of Troutman to buy back time for employees. In the past, the town purchased an IRA for the employees annually in the amount of \$2000.

Representative Ross motions for a favorable report for HB 612. The motions carries and the meeting is adjourned at 10:40 A. M.

Respectfully submitted,



Carolyn A. Edwards
Committee Assistant

Representative Larry M. Bell
Presiding Chair

VISITOR REGISTRATION SHEET

PENSIONS & Retirement

Name of Committee

4-6-85

Date _____

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
El Reno	NCRBEA
Katherine Joyce	NCASA
Wang Dong	AE
Gene Cawley	NCSA
Marcus Davis	NCAE
CECIL BANKS	NCAE
Andy Lamerat	NCLM
Hilary Arthur	NCASA
P. E. Mylon	The Miller Co
Susan Harrow	WCPSS
Deanne Kiger	NCSBA
Mary Foreman	NCAE
John G. H. 2	Gov Office
Primo Anders	PFFPUC
Richard O'Brien	PFFPUC

Rebecca Jones (Rep. G. Wilson)

From: Rebecca Jones (Rep. G. Wilson)

Sent: Tuesday, April 05, 2005 2:14 PM

To: Suzanne Castleberry (Rep. Preston); Carin Savel (Rep. Glazier); Susan Phillips (Rep. Eddins); Mary Ann Norwood (Rep. Ray); Mary Lee Robinson (Rep. Jeffus); Katie Jackelen (Rep. Faison)

Subject: NOTICE - Pensions and Retirement Committee Meeting

REVISED

NORTH CAROLINA HOUSE OF REPRESENTATIVES COMMITTEE MEETING NOTICE 2005-2006 SESSION

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

DAY & DATE: April 6, 2005

TIME: 10:00 am

LOCATION: 544 LOB

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

HB 247-Retired Teachers Work /No Penalty. - Rep. Preston-REMOVED
HB 447-LEO Creditable Service/Workers' Compensation-Reps. Glazier, Eddins
HB 612-Troutman/Local Govt. Emp. Retirement System-Rep. Ray
HB 535-Teachers Convert Personal Leave to Sick Leave. Rep. Jeffus-ADDED
HB 701-Retired School Professionals Return to Work.-Rep.Faison-REMOVED

Respectfully,

Representatives Bell and Wilson
Co-chairs

I hereby certify this notice was filed by the committee clerk at the following offices at **2:09** on **April 5, 2005**.

____Principal Clerk
____Reading Clerk - House Chamber

Rebecca Jones (Committee Assistant)

4/5/2005

House Committee on Pensions and Retirement

PAGES INFORMATION SHEET

April 6, 2005

<u>NAME</u>	<u>COUNTY</u>	<u>REPRESENTATIVE</u>
1. Ivy Hageman	Dare	Owens
2. McKenzie White	Dare	Owens

SERGEANT AT ARMS

- 1. Brad Barefoot**
- 2. Martha Gadison**
- 3. Fred Hines**
- 4. Charles Williams**

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

**April 6, 2005
10:00 P.M.
Room 544 LOB**

CHAIRS

Representative Larry Bell

Representative Eugene Wilson

CALL TO ORDER

REP. BELL Chair

OPENING REMARKS

BILLS TO BE CONSIDERED:

HB 612-Troutman/Local Govt. Emp. Retirement System-Rep. Ray

HB 535-Teachers Convert Personal Leave to Sick Leave. Rep. Jeffus-ADDED

ADJOURNMENT

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

2

HOUSE BILL 535

Committee Substitute Favorable 3/29/05

Short Title: Teachers Convert Personal Leave to Sick Leave.

(Public)

Sponsors:

Referred to:

March 9, 2005

1 A BILL TO BE ENTITLED
2 AN ACT TO GIVE TEACHERS CREDIT FOR THE EXCESS PERSONAL LEAVE
3 TIME THAT THEY EARN AND TO ENSURE THAT TEACHERS CAN TAKE
4 PERSONAL LEAVE WITH FIVE DAYS' NOTICE.

5 The General Assembly of North Carolina enacts:

6 SECTION 1. G.S. 115C-302.1(d) reads as rewritten:

7 "(d) Personal Leave. – Teachers earn personal leave at the rate of .20 days for
8 each full month of employment not to exceed two days per year. Personal leave may be
9 accumulated ~~to a maximum of five days, without any applicable maximum until June 30~~
10 of each year. A teacher may carry forward to July 1 a maximum of five days of personal
11 leave; the remainder of the teacher's personal leave shall be converted to sick leave on
12 June 30. At the time of retirement, a teacher may also convert accumulated personal
13 leave to sick leave for creditable service towards retirement.

14 Personal leave may be used only upon the authorization of the teacher's immediate
15 ~~supervisor, but supervisor.~~ A teacher shall not take personal leave on the first day the
16 teacher is required to report for the school year, on a required teacher workday, on days
17 scheduled for State testing, or on the day before or the day after a holiday or scheduled
18 vacation day, unless the request is approved by the principal. On all other days, if the
19 request is made at least five days in advance, the request shall be automatically granted
20 subject to the availability of a substitute teacher, and the teacher cannot be required to
21 provide a reason for the request. Unless approved by the principal, a teacher shall not
22 take personal leave on the first day the teacher is required to report for the school year,
23 on required teacher workdays, or on the day before or the day after holidays or
24 scheduled vacation days. Teachers may transfer personal leave days between local
25 school administrative units. The local school administrative unit shall credit a teacher
26 who has separated from service and is reemployed within 60 months from the date of
27 separation with all personal leave accumulated at the time of separation. Local school
28 administrative units shall not advance personal leave. Teachers using personal leave
29 receive full salary less the required substitute deduction."

1

SECTION 2. This act becomes effective July 1, 2005.

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representatives **Bell, Wilson** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for

H.B. 535 A BILL TO BE ENTITLED AN ACT TO GIVE TEACHERS CREDIT FOR THE EXCESS PERSONAL LEAVE TIME THAT THEY EARN AND TO ENSURE THAT TEACHERS CAN TAKE PERSONAL LEAVE WITH FIVE DAYS' NOTICE.

☐ 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.

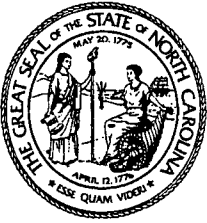
☐ Without prejudice.

☐ 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



HOUSE BILL 535: Teachers Convert Personal Leave to Sick Leave.

BILL ANALYSIS

Committee: House Pensions and Retirement
Date: April 6, 2005
Version: Second Edition

Introduced by:
Summary by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 535 specifies that personal leave for teachers may not be used on days scheduled for State testing and allows teachers to accumulate personal leave without limit until June 30 of each year, at which time a maximum of five days of personal leave may carry forward to July 1, and the balance converted to sick leave.*

CURRENT LAW:

Personal leave is a benefit that is available to classroom teachers and school media specialists who require substitutes. It is earned at the rate of .20 days per month of employment, not to exceed two days per year. Teachers using personal leave receive full salary minus the required substitute deduction. Unused personal leave may be carried forward from one year to another and may be accumulated to a maximum of five days. Unless approved by the principal, a teacher may 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. Personal leave may be used only upon the authorization of the teacher's immediate supervisor.

Teachers earn vacation leave at the same rate as State employees. However, this leave cannot be used when students are in attendance if doing so would require a substitute. The leave may be accumulated up to 30 days, for which teachers are paid in a lump sum when they retire or terminate their employment. Days over 30 days convert to sick leave.

Accumulated sick leave counts as creditable service towards retirement. One month of credit is allowed for each 20 days of unused sick leave upon retirement, and one additional month is allowed for any part of the remaining balance.

BILL ANALYSIS:

House Bill 535 amends G.S. 115C-302.1 (d) regarding the law on personal leave for teachers. The bill allows teachers to accumulate personal leave without limit until June 30 of each year. On June 30, a maximum of five days may be carried forward to July 1 and the balance converted to sick leave. The bill also provides that at the time of retirement, a teacher may convert accumulated personal leave to sick leave for creditable service towards retirement.

The current law lists certain days that teachers are prevented from taking personal leave days unless the request is approved by the principal, this bill adds, "days scheduled for State testing," to the list. On all other days, if the request is made at least five days in advance, the request shall be automatically granted subject to the availability of a substitute teacher, and the teacher cannot be required to provide a reason for the request.

This bill becomes effective July 1, 2005.

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.

Sara Kamprath contributed to this summary.

H535-SMSH-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

Thomas 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

March 29, 2005

MEMORANDUM

TO: Representative Maggie Jeffus

FROM: Stanley Moore 
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 535

Re: Teacher Credit for Excess Personal Leave

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, March 28, 2005
- (3) Actuarial Note. Hartman & Associates, March 28, 2005

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 535 (First Edition)

SHORT TITLE: Teachers Convert Personal Leave to Sick Leave.

SPONSOR(S): Representative Jeffus

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

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

EFFECTIVE DATE: July 1, 2005

BILL SUMMARY: Teachers earn personal leave days at the rate of two days per year, and at year end, up to five days can be carried forward into the next year. Any balance over five days at the end of each year will be converted to sick leave, which the teacher can use for sick leave purposes or to add additional retirement service at the date of retirement. At retirement, one month of additional service is allowed for each 20 days of sick leave.

ESTIMATED IMPACT ON STATE: Both, Mellon, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, 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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 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

TECHNICAL CONSIDERATIONS: None

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 28, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices



Human Resources & Investor Solutions

March 28, 2005

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 535

Dear Mr. Joyal:

We have received your letter of March 23 regarding House Bill 535 which affects the Teachers' and State Employees' Retirement System.

House Bill 535 appears to allow teachers to accumulate personal leave without any applicable maximum until June 30 of each year. On June 30, a maximum of five days of personal leave may be carried into the following year. Each year, any amount of personal leave in excess of five days is converted to sick leave. At the time of retirement, any remaining personal leave may also be converted to sick leave. Accumulated sick leave counts toward creditable service at the time of a teacher's retirement.

There does not appear to be a funding provision included in this legislation for any costs generated by its implementation.

Note: This legislation also includes provisions governing a teacher's use of personal leave. We do not believe this section of the legislation has any bearing on the Retirement System's implementation and administration of House Bill 535.

We have no data regarding the amount of excess accumulated personal leave that would be converted to sick leave under the provisions of this bill. Although it would appear some teachers would receive additional creditable service, 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,

A handwritten signature in black ink, appearing to read "E. Macdonald", written over a horizontal line.

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sh

P:\North Carolina Teachers\2005\Correspondence\House Bill 535.doc
387 RFT03-180

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

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

March 28, 2005

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

Re: House Bill 535: An Act to Give Teachers Credit for Excess
Personal Leave

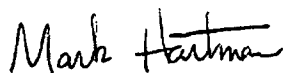
Dear Mr. Moore:

This bill would amend G.S. 115C-302.1(d) to allow a teacher to convert unused personal leave to sick leave. Teachers earn personal leave of up to two days per year. Currently, personal leave may be accumulated to a maximum of five days and any excess is forfeited. Under this revision, the excess would be converted to sick leave as of June 30 of each year, and accumulated personal leave at retirement could be converted to sick leave. This act is effective July 1, 2005.

Under the Teachers= and State Employees= Retirement System (TSERS), a member receives one month of creditable service at retirement for each 20 days of unused sick leave. Thus, conversion of excess personal leave to sick leave could potentially increase retirement benefits for some members. We do not have data regarding the usage of personal or sick leave. However, the increase in creditable service at retirement is not expected to be significant, so this bill is not expected to have a significant financial impact on the TSERS.

If you have any questions, let me know.

Sincerely,



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

MVH/mt

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

1

HOUSE BILL 612

Short Title: Troutman/Local Govt. Emp. Retirement System.

(Local)

Sponsors: Representatives Ray; Howard and Setzer.

Referred to: Pensions and Retirement.

March 14, 2005

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE TOWN OF TROUTMAN TO PARTICIPATE IN
THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
WITHOUT PROVIDING PRIOR SERVICE CREDITS TO ITS EMPLOYEES.

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding any other provision of law, if the Town of Troutman becomes a member of the Local Governmental Employees' Retirement System, the town council may elect to provide no prior service credit in the Retirement System for employees employed prior to the date that the town becomes a participating employer in the Retirement System, and no prior service credit will be given for employees of the town for service provided to the town prior to its participation in the Retirement System, nor shall the town be required to pay for any prior service credits for its employees.

SECTION 2. This act applies only to the Town of Troutman.

SECTION 3. This act is effective when it becomes law.

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representatives **Bell, Wilson** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

- ☐ Committee Substitute for
H.B. 612 A BILL TO BE ENTITLED AN ACT TO AUTHORIZE THE TOWN OF TROUTMAN TO PARTICIPATE IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM WITHOUT PROVIDING PRIOR SERVICE CREDITS TO ITS EMPLOYEES.
- ☒ With a favorable report.
- ☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.
- ☐ With a favorable report, as amended.
- ☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.
- ☐ With a favorable report as to 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 General Assembly
Legislative Services Office**

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Legislative Services Office
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Raleigh, NC 27601-1030 Tel. (919) 733-7044

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

March 29, 2005

MEMORANDUM

TO: Representative Karen Ray

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 612

Re: Allows the Town of Troutman to participate in the Local Governmental Employees' Retirement System with giving prior service to existing employees.

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

cc: House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Mellon, March 28, 2005
- (3) Actuarial Note. Hartman & Associates, March 22, 2005

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 612 (First Edition)

SHORT TITLE: Troutman/Local Govt. Emp. Retirement System.

SPONSOR(S): Representative Ray

FUNDS AFFECTED: Funds of Town of Troutman

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System.

EFFECTIVE DATE: When it becomes law

BILL SUMMARY: Allows the Town of Troutman to participate in the Local Governmental Employees' Retirement System without providing prior service credits to its employees.

ESTIMATED IMPACT ON STATE: Both actuaries agree that the Town of Troutman will be required to pay the normal retirement cost of 4.80% of payroll but since they will not grant prior service credits to the employees, there will be no accrued liability contributions. There will be no cost to the Local Governmental Employees Retirement System.

ASSUMPTIONS AND METHODOLOGY: **Local Governmental Employees' Retirement System:** The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2003 actuarial valuation of the fund. The data included 119,755 active members with an annual payroll of \$3.9 billion and 34,861 retired members in receipt of annual pensions totaling \$487.5 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

TECHNICAL CONSIDERATIONS: None

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 28, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices





Human Resources & Investor Solutions

March 28, 2005

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 612

Dear Mr. Joyal:

We have received your letter of March 24 regarding House Bill 612 which affects the Local Governmental Employees' Retirement System (LGERS).

House Bill 612 authorizes the town of Troutman to participate in LGERS. This legislation appears to exempt the Town of Troutman from the requirement of G.S. 128-26(a) which requires a new participating employer to grant credit for prior service to that employer. If the town of Troutman becomes a member of LGERS, the town council may elect not to provide service credit to employees in service prior to the town joining the retirement system. Presumably, the Troutman town council may elect to provide service credit. However, the proposed legislation also stipulates, somewhat contradictorily, that no prior service credit will be given to employees rendering service prior to the town's membership in LGERS. Finally, the proposed legislation stipulates that the town will not be required to pay for any prior service credits for its employees.

There would be no cost to the Retirement System for this legislation

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

Sincerely,

A handwritten signature in black ink, appearing to read "E. Macdonald", written over a horizontal line.

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sh

P:\North Carolina Local Govt\2005\Correspondence\House Bill 612.doc
751 R5703-180

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HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

March 22, 2005

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

Re: House Bill 612: An Act to Authorize the Town of Troutman to
Participate in the LGERS Without Providing Prior Service Credits
to its Employees

Dear Mr. Moore:

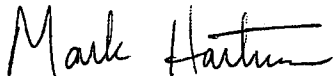
This bill authorizes the Town of Troutman to participate in the Local Governmental Employees Retirement System (LGERS) without providing prior service credits to its employees. Under this option, no service will be credited in the LGERS for employment prior to the date the town becomes a participating employer in the LGERS. This act is effective when it becomes law.

Upon becoming a participating unit in the LGERS, the Town of Troutman would begin paying the plan's normal cost rate as a percentage of its covered payroll. If no prior service credits are granted, no accrued liability would be generated for the town and no accrued liability contribution would be payable.

This bill is not expected to have a significant financial impact on the LGERS.

If you have any questions, please let me know.

Sincerely,



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

MVH/jj



HOUSE BILL 612: Troutman/Local Gov't. Emp. Retirement System.

BILL ANALYSIS

Committee: House Pensions and Retirement
Date: April 6, 2005
Version: First Edition

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

SUMMARY: *House Bill 612 authorizes the Town of Troutman to participate in the Local Governmental Employees' Retirement System without providing prior service credit to its employees.*

CURRENT LAW:

Under current law, when a unit of local government elects to participate in the Local Governmental Employees' Retirement System, the Retirement System calculates an employer contribution rate that includes the cost of providing service credit to all of the employer's eligible employees for all of their prior service with the employer. The employees are then credited with the prior service as though the employer had participated in the Retirement System from the beginning of the members employment.

BILL ANALYSIS:

This bill authorizes the Town of Troutman to elect to provide no prior service credit for its employees employed prior to the date that the town becomes a participating employer in the Retirement System. Inasmuch as the town will not be responsible for paying for the prior service credit, the employees will receive no credit for their service rendered prior to the date the town became a participating employer.

This act would apply only to the Town of Troutman and would become effective when it becomes law.

BACKGROUND:

In 1998, the Town of Sharpsburg was authorized to participate in the Retirement System without providing prior service credit to its employees.

H612-SMRO-001

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
April 20, 2005

The House Committee on Pensions and Retirement met at 10:00 a.m. on Wednesday, April 20, 2005 in Room 544 of the Legislative Office Building. The following **Representatives** were present: **Chairs: Bell, and Wilson;** **Members: Coleman, Earle, Folwell, Ross, and Tolson.**

Fiscal Research - Stanley Moore; Research staff persons included: ***Attorney*** – Karen Cochrane-Brown; ***Legislative Analyst*** – Theresa Matula; ***Legislative Committee Assistants*** - Carolyn Edwards and Rebecca Jones-Cooper. The Agenda, Pages/Sergeant at Arms and Visitor Registration Sheets are attached and incorporated into the minutes.

Chairman Bell changed the agenda and called ***Representative Glazier*** to present **HB 447 – A BILL TO BE ENTITLED AN ACT TO PROVIDE THAT CREDITABLE SERVICE FOR LAW ENFORCEMENT OFFICERS IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM SHALL INCLUDE PERIODS OF EMPLOYER- APPROVED LEAVES OF ABSENCE WHEN IN RECEIPT OF WORKERS' COMPENSATION BENEFITS AS A RESULT OF CERTAIN INJURIES INCURRED IN THE LINE OF DUTY.**

Representative Tolson motioned to have the Proposed Committee Substitute H447-CSRO-5 [v.2] before the committee. A verbal vote was taken and the motion carried.

Representative Glazier explained that HB 447 allows a law enforcement officer, who is on an employer-approved leave of absence and is receiving Worker's Compensation benefits as a result of serious bodily injury incurred in the line of duty as a result of an intentional or unlawful act of another, and who returns to service on or after August 1, 2005, to purchase creditable service for the time on leave of absence. The employing local employer and the member must pay the cost. The amount will be negligible to the system.

Representative Eddins yield his time to Officer Matthew May, who was shot in the line of duty.

Matthew May, a lieutenant with the Wake Forest Police Department speaks favorably to the bill. He goes on to give anecdotal evidence citing his experience being injured while in the line of duty. He shows a picture of his finger injury obtained while in the line of duty.

Representative Tolson motions to amend the bill. Page 2, line 41 to delete the words "any member or group of members," and substitute the words "eligible law enforcement officer." The amendment passes.

Representative Folwell motions that HB 447 be given a favorable report to the committee substitute, and unfavorable to the original bill. The motion carries.

Chairman Bell called **Representative Glazier** to present **HB 402 – A BILL TO BE ENTITLED AN ACT TO REINSTATE THE PURCHASE OF SERVICE CREDIT FOR CERTAIN PERIODS OF ACTIVE MILITARY DUTY BY MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.**

Representative Glazier assets that the bill extends ability to purchase military service to all members of both retirement systems regardless of date of membership and provides the method for calculating the resulting increase in benefits when the service is purchased by a retired member. To be eligible to purchase military service, a member must complete ten years of membership service and then has three years in order to purchase the military service. He says that he knows of no opposition to the bill.

Representative Ross motion that HB 402 be given a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations. The motion carries.

Chairman Bell called Representative Wright to speak on HB 784 – A BILL TO BE ENTITLED AN ACT TO PROVIDE THAT CREDITABLE SERVICE IN THE LOCAL GOVERNMENTAL RETIREMENT SYSTEM SHALL INCLUDE PERIODS OF EMPLOYER-APPROVED LEAVES OF ABSENCE WHEN IN RECEIPT OF WORKERS' COMPENSATION BENEFITS.

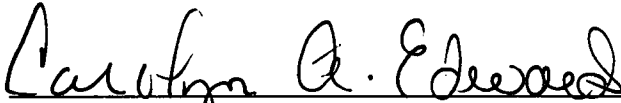
Representative Tolson motioned to have the Proposed Committee Substitute H784-csro-6 [v.1] before the committee. A verbal vote was taken and the motion carried.

Representative Wright states that the only change in the PCS occur on page 3, lines 11, 18 and 19. He assets that the bill provides that creditable service for members of the Local Governmental Employees' Retirement System shall include periods of employer-approved leaves of absence when in receipt of workers' compensation benefits. The bill directs the employer to pay the employer contribution part of the cost of purchasing the service credit. This bill applies to all government employees.

Stanley Moore explained the bill further stating that HB 784 allows all employees of the local system hurt in the line of duty to purchase the time that they lost due to workman comp. The cost will be the employer-matching rate from the counties and the cities.

Representative Earle moves for a favorable report as to the committee substitute and to be re-referred to the Committee on Appropriations.

Respectfully submitted,



Carolyn A. Edwards
Committee Assistant

Representative Larry M. Bell
Presiding Chair

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

APRIL 20, 2005

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
JOHN MIDGETTE	NC PRD
JEFF RUCK	"
Kari Barsness	OSBM
BILL STOCKARD	OSBM
M.D. May	Wake Forest Police Dept.
Marcus Dames	NCAE
Kathy Thompson	Parker Poe Adams + Bernstein
Colleen Kochanek	Holt York McDarris & High
CEANDRA SKINNER	CCPS
Russ Dubisley	CCPS
Doc Parry-Hill	OPE

House Committee on Pensions and Retirement

PAGES INFORMATION SHEET

April 20, 2005

<u>NAME</u>	<u>COUNTY</u>	<u>REPRESENTATIVE</u>
1. Blair Belk	Mecklenburg	Speaker Black
2. Brandon Boone	Mecklenburg	Speaker Black

SERGEANT AT ARMS

1. Jay Calloway
2. Earl Crocker
3. Toussaint Avent

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

**April 20, 2005
10:00 AM
Room 544 LOB**

**CHAIRS
REPRESENTATIVES
BELL AND G. WILSON**

CALL TO ORDER: Rep. Bell

OPENING REMARKS

BILLS TO BE CONSIDERED:

HB 402 – Purchase Military Service/Retirement – Reps. Glazier, Eddins

HB 447 – LEO Creditable Service/Workers' Compensation – Reps. Glazier, Eddins

HB 784 – Creditable Service/Workers' Compensation – Rep. Wright

ADJOURNMENT

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

1

HOUSE BILL 402

Short Title: Purchase Military Service/Retirement.

(Public)

Sponsors: Representatives Glazier, Eddins (Primary Sponsors); Blackwood, Dickson, Faison, Lucas, McAllister, McLawhorn, and Moore.

Referred to: Pensions and Retirement.

March 1, 2005

A BILL TO BE ENTITLED

AN ACT TO REINSTATE THE PURCHASE OF SERVICE CREDIT FOR CERTAIN PERIODS OF ACTIVE MILITARY DUTY BY MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-4(f)(7) reads as rewritten:

"(7) Notwithstanding any other provision of this Chapter, any member and any retired member as herein described may purchase creditable service in the Armed Forces of the United States, not otherwise allowed, by paying a total lump sum payment determined as follows:

a. For members who completed 10 years of membership service, and retired members who completed 10 years of membership service prior to retirement, ~~whose 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 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 membership began on or before July 1, 1981,~~ but who did not or do not make this purchase within three years after first

1 becoming eligible, the cost shall be an amount equal to the full
2 liability of the service credits calculated on the basis of the
3 assumptions used for the purposes of the actuarial valuation of
4 the System's liabilities and shall take into account the retirement
5 allowance arising on account of the additional service credits
6 commencing at the earliest age at which the member could
7 retire on an unreduced allowance, as determined by the Board
8 of Trustees upon the advice of the consulting actuary, plus an
9 administrative fee to be set by the Board of Trustees.
10 Notwithstanding the foregoing provisions of this subsection that
11 provide for the purchase of service credits, the term "full
12 liability" includes assumed post-retirement allowance increases,
13 as determined by the Board of Trustees, from the earliest age at
14 which a member could retire on an unreduced service
15 retirement allowance.

16 Creditable service allowed under this subdivision shall be only for
17 the initial period of "active duty", as defined in 38 U.S. Code Section
18 101(21), in the Armed Forces of the United States up to the date the
19 member was first eligible to be separated and released and for
20 subsequent periods of "active duty", as defined in 38 U.S. Code
21 Section 101(21), as required by the Armed Forces of the United States
22 up to the date of first eligibility for separation or release, but shall not
23 include periods of active duty in the Armed Forces of the United States
24 creditable in any other retirement system except the national guard or
25 any reserve component of the Armed Forces of the United States, and
26 shall not include periods of "active duty for training", as defined in 38
27 U.S. Code Section 101(22), or periods of "inactive duty training", as
28 defined in 38 U.S. Code Section 101(23), rendered in any reserve
29 component of the Armed Forces of the United States. Provided,
30 creditable service may be allowed only for active duty in the Armed
31 Forces of the United States of a member that resulted in a general or
32 honorable discharge from duty. The member shall submit satisfactory
33 evidence of the service claimed. For purposes of this subsection,
34 membership service may include any membership or prior service
35 credits transferred to this Retirement System pursuant to
36 G.S. 135-18.1.

37 The retirement allowance of a retired member who purchases
38 creditable service under this subdivision shall be increased the month
39 following the month payment is received. The increase in the
40 retirement allowance shall be the difference between the initial
41 retirement allowance, under any optional allowance elected at the time
42 of retirement, and the amount of the retirement allowance, under any
43 optional allowance elected at the time of retirement, to which the
44 retired member would have been entitled had the purchased creditable

1 service been creditable at the time of retirement, adjusted by any
2 increases in the retirement accrual rate occurring between the
3 member's date of retirement and the date of payment. The increase in
4 the retirement allowance shall not include any adjustment for
5 cost-of-living increases granted since the date of retirement."

6 **SECTION 2.** G.S. 128-26(j1) reads as rewritten:

7 "(j1) Notwithstanding any other provision of this Chapter, any member and any
8 retired member as herein described may purchase creditable service for service in the
9 Armed Forces of the United States, not otherwise allowed, by paying a total lump sum
10 payment determined as follows:

11 (1) For members who completed 10 years of membership service, and
12 retired members who completed 10 years of membership service prior
13 to retirement, ~~and whose membership began on or prior to January 1,~~
14 ~~1988,~~ and who make such purchase within three years after first
15 becoming eligible, the cost shall be an amount equal to the monthly
16 compensation the member earned when he first entered membership
17 service times the employee contribution rate at that time times the
18 months of service to be purchased with sufficient interest added
19 thereto so as to equal one-half of the cost of allowing such service,
20 plus an administrative fee to be set by the Board of Trustees.

21 (2) For members who complete five years of membership service, and
22 retired members who complete five years of membership service prior
23 to retirement, and eligible members and retired members covered by
24 paragraph (1) of this subdivision, ~~whose membership began on or~~
25 ~~before January 1, 1988,~~ but who did not or do not make such purchase
26 within three years after first becoming eligible, the cost shall be an
27 amount equal to the full liability of the service credits calculated on the
28 basis of the assumptions used for the purposes of the actuarial
29 valuation of the System's liabilities and shall take into account the
30 retirement allowance arising on account of the additional service
31 credits commencing at the earliest age at which the member could
32 retire on an unreduced allowance, as determined by the Board of
33 Trustees upon the advice of the consulting actuary, plus an
34 administrative fee to be set by the Board of Trustees. Notwithstanding
35 the foregoing provisions of this subsection that provide for the
36 purchase of service credits, the term "full liability" includes assumed
37 post-retirement allowance increases, as determined by the Board of
38 Trustees, from the earliest age at which a member could retire on an
39 unreduced service retirement allowance.

40 Creditable service allowed under this subdivision shall be only for the initial period
41 of "active duty", as defined in 38 U.S. Code Section 101(21), in the Armed Forces of
42 the United States up to the date the member was first eligible to be separated and
43 released and for subsequent periods of "active duty", as defined in 38 U.S. Code Section
44 101(21), as required by the Armed Forces of the United States up to the date of first

1 eligibility for separation or release, but shall not include periods of active duty in the
2 Armed Forces of the United States creditable in any other retirement system except the
3 national guard or any reserve component of the Armed Forces of the United States, and
4 shall not include periods of "active duty for training", as defined in 38 U.S. Code
5 Section 101(22), or periods of "inactive duty training", as defined in 38 U.S. Code
6 Section 101(23), rendered in any reserve component of the Armed Forces of the United
7 States. Provided, creditable service may be allowed only for active duty in the Armed
8 Forces of the United States of a member that resulted in a general or honorable
9 discharge from duty. The member shall submit satisfactory evidence of the service
10 claimed. For purposes of this subsection, membership service may include any
11 membership or prior service credits transferred to this Retirement System pursuant to
12 G.S. 128-24.

13 The retirement allowance of a retired member who purchases creditable service
14 under this subsection shall be increased the month following the month payment is
15 received. The increase in the retirement allowance shall be the difference between the
16 initial retirement allowance, under any optional allowance elected at the time of
17 retirement, and the amount of the retirement allowance, under any optional allowance
18 elected at the time of retirement, to which the retired member would have been entitled
19 had the purchased creditable service been creditable at the time of retirement, adjusted
20 by any increases in the retirement accrual rate occurring between the member's date of
21 retirement and the date of payment. The increase in the retirement allowance shall not
22 include any adjustment for cost-of-living increases granted since the date of retirement."

23 **SECTION 3.** This act becomes effective July 1, 2005.

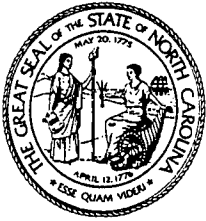
**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representatives **Bell, G. Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

- ☐ Committee Substitute for
H.B. 402 A BILL TO BE ENTITLED AN ACT TO REINSTATE THE PURCHASE OF
SERVICE CREDIT FOR CERTAIN PERIODS OF ACTIVE MILITARY DUTY BY
MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
AND 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 .)
- ☐ 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



HOUSE BILL 402: Purchase Military Service/Retirement.

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: April 20, 2005
Version: First Edition

Introduced by: Reps. Glazier & Eddins
Summary by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 402 allows members of the TSERS and LGERS to purchase periods of active military duty and outlines the method for calculating the increase in benefits.*

BILL ANALYSIS:

Section 1 of House Bill 402 pertains to the Teachers' and State Employees' Retirement System (TSERS). The bill amends G.S. 135-4(f)(7) for purposes of purchasing service in the Armed Forces of the United States. The amendments delete the requirement that membership must have begun on or before July 1, 1981.

Section 1 of the bill also addresses retirement allowance changes. The bill specifies that the retirement allowance of a retired member who purchases creditable service shall be increased the month following the month payment is received. It further provides that the increase in the retirement allowance is:

- the difference between
 - the initial retirement allowance, under any optional allowance elected at the time of retirement, and
 - the amount of the retirement allowance, under any optional allowance elected at the time of retirement to which the retired member would have been entitled had the purchased creditable service been creditable at the time of retirement,
- adjusted by any increases in the retirement accrual rate occurring between the member's date of retirement and the date of payment.

Additionally, it specifies that the increase in the retirement allowance shall not include any adjustment for cost-of-living increases granted since the date of retirement.

Section 2 of House Bill 402 pertains to the Local Governmental Employees' Retirement System (LGERS). Similar to the changes in Section 1 for the TSERS, Section 2 of the bill amends G.S. 128-26(j1) for purposes of purchasing service in the Armed Forces. The amendments delete the requirement that membership must have begun on or before January 1, 1988.

The rest of the changes in Section 2 for LGERS members are identical to the retirement allowance changes outlined above for TSERS members in Section 1.

This bill would become effective July 1, 2005.

H402-SMSH-001



**North Carolina General Assembly
Legislative Services Office**

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April 15, 2005

MEMORANDUM

TO: Representative Rick Glazier

FROM: Stanley Moore 
Fiscal Research Division

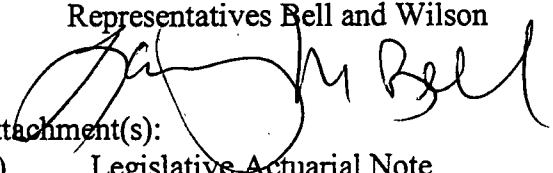
SUBJECT: Actuarial Note for House Bill 402

Re: Purchase of military service.

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

cc: House Principal Clerk
Representatives Bell and Wilson

Attachment(s):

- 
- (1) Legislative Actuarial Note
 - (2) Actuarial Note, Mellon, April 14, 2005
 - (3) Actuarial Note. Hartman & Associates, April 14, 2005

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 402 (First Edition)

SHORT TITLE: Purchase Military Service/Retirement.

SPONSOR(S): Representatives Eddins and Glazier

FUNDS AFFECTED: General Fund, Highway Fund, and Receipt Fund and Local Funds for the Local Governmental Employees' Retirement System

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System and the Local Government Employees' Retirement System.

EFFECTIVE DATE: July 1, 2005

BILL SUMMARY: Current law provide for purchase of military service by a person who became a member of the Teachers' and State Employees' Retirement System before July 1, 1981, or the Local Government Employees' Retirement System before January 1, 1988. The bill extends ability to purchase military service to all members of both retirement systems regardless of date of membership and provides the method for calculating the resulting increase in benefits when the service is purchased by a retired member.

To be eligible to purchase military service, a member must complete ten years of membership service and then has three years in order to purchase the military service.

ESTIMATED IMPACT: Retirement System Actuary: Mellon estimates the cost to be 0.04% of the payroll of all members of the Teachers' and State Employees' Retirement System. This estimate is based on the assumption that there are 5,000 members eligible to purchase 2 years of military service.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$3.2M	\$3.4M	\$3.5M	\$3.7M	\$3.9M
Highway Fund	\$0.2M	\$0.2M	\$0.2M	\$0.2M	\$0.2M
Receipt Funds	<u>\$1.1M</u>	<u>\$1.1M</u>	<u>\$1.2M</u>	<u>\$1.2M</u>	<u>\$1.3M</u>
TOTAL COST	\$4.4M	\$4.7M	\$4.9M	\$5.1M	\$5.3M

General Assembly Actuary: Hartman & Associates does not have any data on which to base the estimated cost. However, given the high potential number of military veterans, the cost is estimated to be significant.

There are available gains of 0.47% of payroll in the Teachers' and State Employees' Retirement System to fund this without increasing the contribution rate.

ESTIMATED IMPACT: Local Governmental Employees' Retirement System

Retirement System Actuary: Mellon estimates the cost to be 0.04% of the payroll of all members of the Local Governmental Employees' Retirement System. This estimate is based on the assumption that there are 3,000 members eligible to purchase 2 years of military service.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Local Funds	\$1.7M	\$1.8M	\$1.9M	\$2.0M	\$2.1M

General Assembly Actuary: Hartman & Associates does not have any data on which to base the estimated cost. However, given the high potential number of military veterans, the cost is estimated to be significant.

There are available gains of 0.52% of payroll in the Local Governmental Employees' Retirement System to fund this without increasing the contribution rates of each employer.

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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 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, 2003 actuarial valuation of the fund. The data included 119,755 active members with an annual payroll of \$3.9 billion and 34,861 retired members in receipt of annual pensions totaling \$487.5 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

TECHNICAL CONSIDERATIONS: None

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: April 15, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices



April 14, 2005

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 402

Dear Mr. Joyal:

We have received your letter of March 9 regarding House Bill 402 which affects the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS).

This legislation appears to amend existing provisions in Section 1. G.S.135-4(f)(7) of TSERS, and Section 2. G.S. 128-26(jl), of LGERS for the purchase of service credit by active or retired members for prior military service. The amendments change the existing statutes to expand the number of individuals that may purchase military service under these provisions at a reduced cost, by removing the date of qualifying membership that allows members who have completed 10 years of membership service to purchase service credit. This legislation would allow all active and retired members hired after July 1, 1981 in the TSERS and after January 1, 1988 in the LGERS to purchase military service at a cost equal to the monthly compensation the member earned when first entering membership service times the employee contribution rate at that time, times the number of months of service to be purchased with sufficient interest so as to equal one-half the cost of allowing the service. This reduced cost is applicable if the member purchases the creditable service within three years of becoming eligible. Currently these members are required to pay the full actuarial cost of the military service.

As a technical observation, there is no statutory definition of "one-half the cost of allowing the service". It is our understanding that cost determination is specified in administrative code and part of the administration procedure. We are following that procedure in determining these costs. The bill, or the statute, should be amended to define the cost of the service as it is intended to be administered.

The legislation stipulates the calculation of a retiree's pension benefit following the purchase of military service where applicable. Any increase in a retiree's monthly benefit will be the difference between the initial, or, pre-military service purchase benefit, and the benefit that would have been provided had the military service been creditable at the time of retirement; this difference, or, new benefit amount, will be adjusted by any increases in the retirement accrual rate enacted between the member's date of retirement and the date of payment.

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Mr. J. Brett Joyal
April 13, 2005
Page 2

The new provisions further stipulate that any benefit adjustments occurring as a result of the military service purchase will not include cost of living increases granted since the date of retirement.

We have received some statistical information from the retirement system regarding members with military service, however, we have no way to determine the number of members who will be eligible to purchase service under this legislation. Based on the demographic data we received for members in State agencies who are veterans, assuming that 5,000 such members each purchase 2 years of military service, the estimated cost to TSERs would be .04% of payroll. It should be noted that under this legislation, more members would become eligible to purchase military service each year.

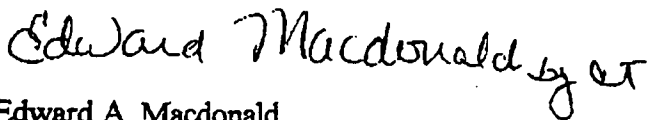
Under LGERS, assuming that 3,000 members each purchased 2 years of military service, the estimated cost would be .04% of payroll.

As a further technical observation, the language of the code section, as currently written and as amended by the legislation, contains many undefined terms and unclear provisions. The bill should be amended to clarify the intent.

Also, this legislation would add significant administrative burden to the Retirement System staff. Similar legislation was passed several years ago reducing the cost for members to purchase withdrawn service and the Retirement System was inadequately staffed to handle the large increase in the volume of calculation requests. Consideration should be given to providing additional staff to handle the increase in military service purchase calculations that will occur if this bill becomes law.

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

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 14, 2005

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

Re: House Bill 402: An Act to Reinstate the Purchase of Service
Credit for Active Military Duty by Members of the TSERS and LGERS

Dear Mr. Moore:

This bill amends G.S. 135-4(f)(7) and G.S. 128-26(j1) to modify the provisions for members of the Teachers' and State Employees' Retirement System (TSERS) and Local Governmental Employees' Retirement System (LGERS) to purchase creditable service for periods served in the armed forces of the United States. Currently, these provisions apply only to members whose membership began on or before July 1, 1981 in the TSERS and on or before January 1, 1988 in the LGERS. This bill would make the option available to all members. This act becomes effective July 1, 2005.

In order to purchase such service, the member must have completed five years of service and make a lump sum payment. If the member has completed ten years of service and makes the purchase within three years after first becoming eligible, the lump sum is equal to the employee contribution rate times the member's compensation when he first became a member, plus interest so as to equal one-half the cost of providing such credit. Otherwise, the lump sum is equal to the full liability of the additional service credits. Credit will be allowed only for the initial period of active duty and subsequent periods of active duty as required by the armed forces of the United States. Credit is only allowed for service not creditable in any other retirement system. These provisions also apply to retired members who had attained 5 years of service prior to retirement.

By allowing members to purchase service at one-half the cost of providing such service credit, this bill will produce a cost to both the TSERS and the LGERS. The cost depends on the number of members with military service, the amount of military service available for purchase, the amount of service earned in the TSERS or LGERS, and the probability of purchasing the service. We do not have data to use as a basis for these calculations. However, given the high potential number of military veterans in the TSERS and LGERS based on sample data you provided, the cost is expected to be significant.

Mr. Stanley Moore
April 14, 2005

Page 2

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/jj

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

D

HOUSE BILL 447
PROPOSED COMMITTEE SUBSTITUTE H447-CSRO-5 [v.2]

4/20/2005 9:57:24 AM

Short Title: LEO Creditable Service/Workers' Compensation.

(Public)

Sponsors:

Referred to:

March 2, 2005

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE THAT CREDITABLE SERVICE FOR LAW
3 ENFORCEMENT OFFICERS IN THE LOCAL GOVERNMENTAL
4 EMPLOYEES' RETIREMENT SYSTEM SHALL INCLUDE PERIODS OF
5 EMPLOYER-APPROVED LEAVES OF ABSENCE WHEN IN RECEIPT OF
6 WORKERS' COMPENSATION BENEFITS AS A RESULT OF CERTAIN
7 INJURIES INCURRED IN THE LINE OF DUTY.

8 The General Assembly of North Carolina enacts:

9 **SECTION 1.** G.S. 128-26(l) reads as rewritten:

10 "(l) Notwithstanding any other provision of this Chapter, any member may
11 purchase creditable service for periods of employer approved leaves of absence when in
12 receipt of benefits under the North Carolina Workers' Compensation Act. This service
13 shall be purchased by paying a cost calculated in the following manner:

14 (1) Leaves of Absence Terminated Prior to July 1, 1983. – The cost to a
15 member whose employer approved leave of absence, when in receipt
16 of benefits under the North Carolina Workers' Compensation Act,
17 terminated upon return to service prior to July 1, 1983, shall be a lump
18 sum amount payable to the Annuity Savings Fund equal to the full
19 liability of the service credits calculated on the basis of the
20 assumptions used for purposes of the actuarial valuation of the
21 system's liabilities, and shall take into account the retirement
22 allowance arising on account of the additional service credit
23 commencing at the earliest age at which the member could retire on an
24 unreduced retirement allowance, as determined by the board of
25 trustees upon the advice of the consulting actuary, plus an
26 administrative fee to be set by the Board of Trustees. Notwithstanding
27 the foregoing provisions of this subdivision that provide for the
28 purchase of service credits, the terms "full cost", "full liability", and

1 "full actuarial cost" include assumed annual post-retirement allowance
2 increases, as determined by the Board of Trustees, from the earliest
3 age at which a member could retire on an unreduced service
4 allowance.

- 5 (2) Leaves of Absence Terminating On and After July 1, 1983. – The cost
6 to a member whose employer approved leave of absence, when in
7 receipt of benefits under the North Carolina Workers' Compensation
8 Act, terminates upon return to service on and after July 1, 1983, shall
9 be a lump sum amount due and payable to the Annuity Savings Fund
10 within six months from return to service equal to the total employee
11 and employer percentage rates of contribution in effect at the time of
12 purchase and based on the annual rate of compensation of the member
13 immediately prior to the leave of absence; Provided, however, the cost
14 to a member whose amount due is not paid within six months from
15 return to service shall be the amount due plus one percent (1%) per
16 month penalty for each month or fraction thereof the payment is made
17 beyond the six-month period.

18 Whenever the creditable service purchased pursuant to this subsection is for a period
19 that occurs during the four consecutive calendar years that would have produced the
20 highest average annual compensation pursuant to G.S. 128-21(5) had the member not
21 been on leave of absence without pay, then the compensation that the member would
22 have received during the purchased period shall be included in calculating the member's
23 average final compensation. In such cases, the compensation that the member would
24 have received during the purchased period shall be based on the annual rate of
25 compensation of the member immediately prior to the leave of absence.

26 In the case of a law enforcement officer electing to purchase service under this
27 section who is in receipt of benefits under the North Carolina Workers' Compensation
28 Act due to serious bodily injury suffered in the line of duty as a result of an intentional
29 or unlawful act of another, as certified by the head of the employing law enforcement
30 agency, and whose approved leave of absence terminates on or before a return to service
31 on and after August 1, 2005, the employer percentage rate of contribution payable under
32 subdivision (2) of this subsection shall be made by the employer that granted the leave
33 of absence. The cost to the law enforcement officer shall be reduced by the amount paid
34 by the employer. For purposes of this subsection, "serious bodily injury" means bodily
35 injury that creates a substantial risk of death, or that causes serious permanent
36 disfigurement, coma, a permanent or protracted condition that causes extreme pain, or
37 permanent or protracted loss or impairment of the function of any bodily member or
38 organ, or that results in prolonged hospitalization.

39 Nothing in this subsection prevents an employer from voluntarily paying all or a part
40 of the employee portion of the total cost of the service credit purchased, and the
41 employer does not discriminate against any member or group of members in this
42 subsection employed by the employer by paying that portion of cost. To the extent paid
43 by the employer, the employee portion paid by the employer shall be credited to the
44 Pension Accumulation Fund; to the extent paid by the member, the employee portion

1 paid by the member shall be credited to the member's annuity savings account. A
2 member shall pay any part of the employee portion of the total cost not paid by the
3 employer."

4 **SECTION 2.** This act becomes effective August 1, 2005, and applies to
5 members who return to service from an approved leave of absence on or after that date.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

1

HOUSE BILL 447

Short Title: LEO Creditable Service/Workers' Compensation.

(Public)

Sponsors: Representatives Glazier, Eddins (Primary Sponsors); B. Allen, Allred, Cunningham, Dickson, Faison, Insko, Martin, McLawhorn, Pate, Setzer, Underhill, Wainwright, and Wray.

Referred to: Pensions and Retirement.

March 2, 2005

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT CREDITABLE SERVICE FOR LAW ENFORCEMENT OFFICERS IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM SHALL INCLUDE PERIODS OF EMPLOYER-APPROVED LEAVES OF ABSENCE WHEN IN RECEIPT OF WORKERS' COMPENSATION BENEFITS AS A RESULT OF CERTAIN INJURIES INCURRED IN THE LINE OF DUTY.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 128-26(l) reads as rewritten:

"(l) Notwithstanding any other provision of this Chapter, any member may purchase creditable service for periods of employer approved leaves of absence when in receipt of benefits under the North Carolina Workers' Compensation Act. This service shall be purchased by paying a cost calculated in the following manner:

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

1 purchase of service credits, the terms "full cost", "full liability", and
2 "full actuarial cost" include assumed annual post-retirement allowance
3 increases, as determined by the Board of Trustees, from the earliest
4 age at which a member could retire on an unreduced service
5 allowance.

- 6 (2) Leaves of Absence Terminating On and After July 1, 1983. – The cost
7 to a member whose employer approved leave of absence, when in
8 receipt of benefits under the North Carolina Workers' Compensation
9 Act, terminates upon return to service on and after July 1, 1983, shall
10 be a lump sum amount due and payable to the Annuity Savings Fund
11 within six months from return to service equal to the total employee
12 and employer percentage rates of contribution in effect at the time of
13 purchase and based on the annual rate of compensation of the member
14 immediately prior to the leave of absence; Provided, however, the cost
15 to a member whose amount due is not paid within six months from
16 return to service shall be the amount due plus one percent (1%) per
17 month penalty for each month or fraction thereof the payment is made
18 beyond the six-month period.

19 Whenever the creditable service purchased pursuant to this subsection is for a period
20 that occurs during the four consecutive calendar years that would have produced the
21 highest average annual compensation pursuant to G.S. 128-21(5) had the member not
22 been on leave of absence without pay, then the compensation that the member would
23 have received during the purchased period shall be included in calculating the member's
24 average final compensation. In such cases, the compensation that the member would
25 have received during the purchased period shall be based on the annual rate of
26 compensation of the member immediately prior to the leave of absence.

27 In the case of a law enforcement officer electing to purchase service under this
28 section who is in receipt of benefits under the North Carolina Workers' Compensation
29 Act due to serious bodily injury suffered in the line of duty as a result of an intentional
30 or unlawful act of another, as certified by the head of the employing law enforcement
31 agency, and whose approved leave of absence terminates on or before a return to service
32 on and after August 1, 2005, the lump sum payable under subdivision (2) of this
33 subsection shall be made by the employer that granted the leave of absence. The cost to
34 the law enforcement officer shall be reduced by the amount paid by the employer. For
35 purposes of this subsection, "serious bodily injury" means bodily injury that creates a
36 substantial risk of death, or that causes serious permanent disfigurement, coma, a
37 permanent or protracted condition that causes extreme pain, or permanent or protracted
38 loss or impairment of the function of any bodily member or organ, or that results in
39 prolonged hospitalization.

40 Nothing in this subsection prevents an employer from voluntarily paying all or a part
41 of the employee portion of the total cost of the service credit purchased, and an
42 employer does not discriminate against any member or group of members employed by
43 the employer by paying that portion of cost. To the extent paid by the employer, the
44 employee portion paid by the employer shall be credited to the Pension Accumulation

1 Fund; to the extent paid by the member, the employee portion paid by the member shall
2 be credited to the member's annuity savings account. A member shall pay any part of
3 the employee portion of the total cost not paid by the employer."

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

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

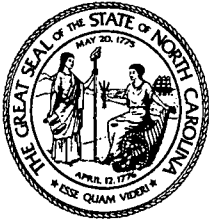
The following report(s) from standing committee(s) is/are presented:

By Representatives **Bell, G. Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for
H.B. 447 A BILL TO BE ENTITLED AN ACT TO PROVIDE THAT CREDITABLE SERVICE FOR LAW ENFORCEMENT OFFICERS IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM SHALL INCLUDE PERIODS OF EMPLOYER-APPROVED LEAVES OF ABSENCE WHEN IN RECEIPT OF WORKERS' COMPENSATION BENEFITS AS A RESULT OF CERTAIN INJURIES INCURRED IN THE LINE OF DUTY.

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



HOUSE BILL 447: LEO Creditable Service/Workers' Compensation

BILL ANALYSIS

Committee:	House Pensions and Retirement	Date:	April 20, 2005
Introduced by:	Reps. Glazier, Eddins	Summary by:	Karen Cochrane-Brown
Version:	First Edition		Committee Counsel

SUMMARY: *House Bill 447 provides that creditable service for law enforcement officers in the Local Governmental Employees' Retirement System shall include periods of employer-approved leaves of absence when in receipt of workers' compensation benefits as a result of certain injuries incurred in the line of duty. The cost of this service shall be paid by the employer. The bill also authorizes the employer to choose to pay all or part of the cost of purchasing this service for any of its members.*

CURRENT LAW:

Under current law, all members of the Local Governmental Employees Retirement System may elect to purchase service credit for periods of employer approved leaves of absence when the member is receiving workers' compensation benefits. Within six months of returning to service, the member must make a lump sum payment equal to the total employee and employer contribution rates at the time of the purchase and based on the member's salary immediately prior to the leave of absence. If the payment is not made within six months of return to service, the member must pay a one percent per month penalty for each month or fraction of a month beyond the six-month period.

BILL ANALYSIS:

This bill provides that in the case of a local law enforcement officer who is receiving workers' compensation benefits due to serious bodily injury suffered in the line of duty as a result of an intentional or unlawful act of another, the lump sum payment required to purchase the service credit shall be paid by the employer that granted the leave of absence. This bill only applies to members who return to service from an approved leave of absence on or after August 1, 2005.

The bill also authorizes an employer to voluntarily pay all or part of the cost to purchase this service credit for any member or group of members and the employer does not discriminate against any of its members by doing so. The member is responsible for paying any part of the employee cost that is not paid by the employer.

H0447e1-SMRO



**North Carolina General Assembly
Legislative Services Office**

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(919) 733-2578

April 6, 2005

MEMORANDUM

TO: Representative Rick Glazier

FROM: Stanley Moore 
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 447

Re: Service for Workers' Compensation

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
Representatives Bell and Wilson

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Mellon, April 1, 2005
- (3) Actuarial Note, Hartman & Associates, March 18, 2005

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 447 (First Edition)

SHORT TITLE: LEO Creditable Service/Workers' Compensation.

SPONSOR(S): Representatives Eddins and Glazier

FUNDS AFFECTED: Local Funds

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System.

EFFECTIVE DATE: July 1, 2005

BILL SUMMARY: Allows a law enforcement officer, who is on an employer-approved leave of absence and is receiving Workers' Compensation benefits as a result of serious bodily injury incurred in the line of duty as a result of an intentional or unlawful act of another, and who returns to service on or after August 1, 2005, to purchase creditable service for the time on leave of absence. The employing local employer and the member must pay the cost.

ESTIMATED IMPACT ON LOCAL GOVERNMENTS: Both, Mellon, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost would be negligible.

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, 2003 actuarial valuation of the fund. The data included 119,755 active members with an annual payroll of \$3.9 billion and 34,861 retired members in receipt of annual pensions totaling \$487.5 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

TECHNICAL CONSIDERATIONS: None.

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: April 5, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices



Human Resources & Investor Solutions

April 1, 2005

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 447

Dear Mr. Joyal:

We have received your letter of March 24 regarding House Bill 447 which affects the Local Governmental Employees' Retirement System (LGERS).

House Bill 447 adds new provisions to G.S. 128-26(l) pertaining to law enforcement officers in the LGERS who are on employer approved leaves of absence, and in receipt of benefits under the North Carolina Worker's Compensation Act due to serious bodily injury incurred in the line of duty and whose approved leaves of absence terminate on or before a return to service on or after August 1, 2005.

It is our understanding that the intent of the proposed legislation is that, if a member who is a law enforcement officer meeting the conditions described above elects to purchase the service credit allowable under Code Section 128-26(l), the employer that granted the leave of absence is required to pay the portion of the lump sum based on the employer contribution rate. The member would pay the portion of the lump sum based on the employee contribution rate.

In addition, a new provision is added enabling employers to pay all or part of the employee portion of the lump sum service credit purchase if they wish to do so. It is our understanding that the intent of the legislation would be to require that an employer who chooses to pay this amount for a member must pay for all members who purchase service under the same conditions.

The total amount paid to the Retirement System for service purchased would not change due to this legislation. There could be a slight increase in the number of members who purchase such service since the employer would be paying a portion of, or all of the cost. However, we expect that the cost to the Retirement System for this legislation would be negligible.

As a technical observation, the language of the legislation should be amended to correspond with the intent.

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

March 18, 2005

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

Re: House Bill 447: An Act to Provide that Creditable Service for Law Enforcement Officers in the LGERS Shall Include Periods in Receipt of Workers' Compensation Benefits for Certain Injuries

Dear Mr. Moore:

This bill would amend G.S. 128-26 to modify the provisions for purchasing creditable service in the Local Governmental Employees' Retirement System (LGERS) for certain leaves of absence. Currently, a member of the LGERS may purchase creditable service after returning from a leave of absence for which he received Workers' Compensation benefits. The employee must pay both the employee and employer rates of contribution, and interest is added for amounts not paid within six months of return to service.

This bill provides that, in certain cases, the payment for the service shall be made by the employer that granted the leave of absence and the employee contribution will be reduced by the amount paid by the employer. The employer may pay the total cost. This provision applies only to a law enforcement officer who received Workers' Compensation benefits due to a serious bodily injury suffered in the line of duty as a result of an unlawful or intentional act of another. This act is effective when it becomes law.

Under this bill, part or all of the total cost for purchasing service while in receipt of Workers' Compensation benefits would be shifted to the employer. However, based on the estimated incidence rates for the specified leaves of absence, this is not expected to have a significant financial impact in the LGERS.

If you have any questions, let me know.

Sincerely,



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

MVH/mt

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

1

HOUSE BILL 784

Short Title: Creditable Service/Workers' Compensation.

(Public)

Sponsors: Representatives Wright; Faison and Wainwright.

Referred to: Pensions and Retirement.

March 17, 2005

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT CREDITABLE SERVICE IN THE LOCAL
GOVERNMENTAL RETIREMENT SYSTEM SHALL INCLUDE PERIODS OF
EMPLOYER-APPROVED LEAVES OF ABSENCE WHEN IN RECEIPT OF
WORKERS' COMPENSATION BENEFITS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 128-26(l) reads as rewritten:

"(l) Notwithstanding any other provision of this Chapter, any member may purchase creditable service for periods of employer approved leaves of absence when in receipt of benefits under the North Carolina Workers' Compensation Act. This service shall be purchased by paying a cost calculated in the following manner:

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

- (2) Leaves of Absence Terminating On and After July 1, 1983, But Before July 1, 2005. – The cost to a member whose employer approved leave of absence, when in receipt of benefits under the North Carolina Workers' Compensation Act, terminates upon return to service on and after July 1, 1983, but before July 1, 2005, shall be a lump sum amount due and payable to the Annuity Savings Fund within six months from return to service equal to the total employee and employer percentage rates of contribution in effect at the time of purchase and based on the annual rate of compensation of the member immediately prior to the leave of absence; Provided, however, the cost to a member whose amount due is not paid within six months from return to service shall be the amount due plus one percent (1%) per month penalty for each month or fraction thereof the payment is made beyond the six-month period.

Whenever the creditable service purchased pursuant to this subsection 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. 128-21(5) had the member not been on leave of absence without pay, then the compensation that the member would have received during the purchased period shall be included in calculating the member's average final compensation. In such cases, the compensation that the member would have received during the purchased period shall be based on the annual rate of compensation of the member immediately prior to the leave of absence."

- (3) Leaves of Absence Terminating On and After July 1, 2005. – The cost to a member whose employer approved leave of absence, when in receipt of benefits under the North Carolina Workers' Compensation Act, terminates upon or before a return to service on and after July 1, 2005, shall be due and payable to the Annuity Savings Fund within six months from return to service and shall be a lump-sum amount equal to the employee percentage rate of contribution in effect at the time of purchase applied to the annual rate of compensation of the member immediately prior to the leave of absence. For members electing to make this payment, the member's employer which granted the leave of absence, or the member's employer upon a return to service, or both, shall make a matching lump-sum payment to the Pension Accumulation Fund within six months from return to service equal to the employer percentage rate of contribution in effect at the time of purchase applied to the annual rate of compensation of the member immediately prior to the leave of absence. Such purchases of creditable service are applicable only when members have membership service credits within 30 days prior to the leave of absence and within 12

1 months following the leave of absence and such membership service is
2 creditable service at the time of purchase. Notwithstanding any other
3 provision of this subdivision, the cost to a member and to a member's
4 employer or former employer or both employers whose amount due is
5 not paid within six months from return to service shall be the amount
6 due plus one percent (1%) per month penalty for each month or
7 fraction thereof that the payment is made after the six-month period.

8 Whenever the creditable service purchased pursuant to this
9 subsection is for a period that occurs during the four consecutive
10 calendar years that would have produced the highest average annual
11 compensation pursuant to G.S. 135-1(5) had the member not been on
12 leave of absence without pay, then the compensation that the member
13 would have received during the purchased period shall be included in
14 calculating the member's average final compensation. In such cases,
15 the compensation that the member would have received during the
16 purchased period shall be based on the annual rate of compensation of
17 the member immediately prior to the leave of absence."

18 **SECTION 2.** This act becomes effective July 1, 2005.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

D

HOUSE BILL 784

PROPOSED COMMITTEE SUBSTITUTE H784-CSRO-6 [v.1]

4/20/2005 9:56:26 AM

Short Title: Creditable Service/Workers' Compensation.

(Public)

Sponsors:

Referred to:

March 17, 2005

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT CREDITABLE SERVICE IN THE LOCAL GOVERNMENTAL RETIREMENT SYSTEM SHALL INCLUDE PERIODS OF EMPLOYER-APPROVED LEAVES OF ABSENCE WHEN IN RECEIPT OF WORKERS' COMPENSATION BENEFITS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 128-26(l) reads as rewritten:

"(l) Notwithstanding any other provision of this Chapter, any member may purchase creditable service for periods of employer approved leaves of absence when in receipt of benefits under the North Carolina Workers' Compensation Act. This service shall be purchased by paying a cost calculated in the following manner:

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

- (2) Leaves of Absence Terminating On and After July 1, 1983, But Before July 1, 2005. – The cost to a member whose employer approved leave of absence, when in receipt of benefits under the North Carolina Workers' Compensation Act, terminates upon return to service on and after July 1, 1983, but before July 1, 2005, shall be a lump sum amount due and payable to the Annuity Savings Fund within six months from return to service equal to the total employee and employer percentage rates of contribution in effect at the time of purchase and based on the annual rate of compensation of the member immediately prior to the leave of absence; Provided, however, the cost to a member whose amount due is not paid within six months from return to service shall be the amount due plus one percent (1%) per month penalty for each month or fraction thereof the payment is made beyond the six-month period.

Whenever the creditable service purchased pursuant to this subsection 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. 128-21(5) had the member not been on leave of absence without pay, then the compensation that the member would have received during the purchased period shall be included in calculating the member's average final compensation. In such cases, the compensation that the member would have received during the purchased period shall be based on the annual rate of compensation of the member immediately prior to the leave of absence."

- (3) Leaves of Absence Terminating On and After July 1, 2005. – The cost to a member whose employer approved leave of absence, when in receipt of benefits under the North Carolina Workers' Compensation Act, terminates upon or before a return to service on and after July 1, 2005, shall be due and payable to the Annuity Savings Fund within six months from return to service and shall be a lump-sum amount equal to the employee percentage rate of contribution in effect at the time of purchase applied to the annual rate of compensation of the member immediately prior to the leave of absence. For members electing to make this payment, the member's employer which granted the leave of absence, or the member's employer upon a return to service, or both, shall make a matching lump-sum payment to the Pension Accumulation Fund within six months from return to service equal to the employer percentage rate of contribution in effect at the time of purchase applied to the annual rate of compensation of the member immediately prior to the leave of absence. Such purchases of creditable service are applicable only when members have membership service credits within 30 days prior to the leave of absence and within 12

1 months following the leave of absence and such membership service is
2 creditable service at the time of purchase. Notwithstanding any other
3 provision of this subdivision, the cost to a member and to a member's
4 employer or former employer or both employers whose amount due is
5 not paid within six months from return to service shall be the amount
6 due plus one percent (1%) per month penalty for each month or
7 fraction thereof that the payment is made after the six-month period.

8 Whenever the creditable service purchased pursuant to this
9 subsection is for a period that occurs during the four consecutive
10 calendar years that would have produced the highest average annual
11 compensation pursuant to G.S. 128-21(5) had the member not been on
12 leave of absence without pay, then the compensation that the member
13 would have received during the purchased period shall be included in
14 calculating the member's average final compensation. In such cases,
15 the compensation that the member would have received during the
16 purchased period shall be based on the annual rate of compensation of
17 the member immediately prior to the leave of absence."

18 **SECTION 2.** This act becomes effective July 1, 2005 and applies to
19 members who return to service from an approved leave of absence on or after that date.

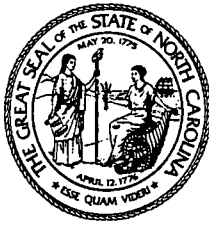
**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representatives **Bell, G. Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

- ☐ Committee Substitute for
H.B. 784 A BILL TO BE ENTITLED AN ACT TO PROVIDE THAT CREDITABLE SERVICE IN THE LOCAL GOVERNMENTAL RETIREMENT SYSTEM SHALL INCLUDE PERIODS OF EMPLOYER-APPROVED LEAVES OF ABSENCE WHEN IN RECEIPT OF WORKERS' COMPENSATION 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 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



HOUSE BILL 784: Creditable Service/Workers' Compensation

BILL ANALYSIS

Committee:	House Pensions and Retirement	Date:	April 20, 2005
Introduced by:	Rep. Wright	Summary by:	Karen Cochrane-Brown
Version:	First Edition		Committee Counsel

SUMMARY: *House Bill 784 provides that creditable service for members of the Local Governmental Employees' Retirement System shall include periods of employer-approved leaves of absence when in receipt of workers' compensation benefits. The bill directs the employer to pay the employer contribution part of the cost of purchasing the service credit.*

CURRENT LAW:

Under current law, all members of the Local Governmental Employees Retirement System may elect to purchase service credit for periods of employer approved leaves of absence when the member is receiving workers' compensation benefits. Within six months of returning to service, the member must make a lump sum payment equal to the total employee and employer contribution rates at the time of the purchase and based on the member's salary immediately prior to the leave of absence. If the payment is not made within six months of return to service, the member must pay a one percent per month penalty for each month or fraction of a month beyond the six-month period.

BILL ANALYSIS:

This bill provides that for members who return to service from an approved leave of absence on or after July 1, 2005, the employee and the employer shall share the cost of purchasing the service. Within six months of returning, the employee must make a lump sum payment equal to the employee contribution rate in effect at the time of purchase and based on the employee's salary immediately prior to the leave of absence. For members who chose to purchase the service credit, the employer that granted the leave or the employer to which the employee returned, or both shall make a matching payment equal to the employer contribution rate at the time of the purchase. The employer's payment must also be made within six months of the member's return to service. This provision only applies if the member was in service within 30 days prior to the leave of absence and within 12 months following the leave of absence. Payments by the member or the employer are still subject to a one percent per month penalty if not paid within six months of return to service.

This act would become effective July 1, 2005.

H0784e1-SMRO



**North Carolina General Assembly
Legislative Services Office**

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Legislative Services Office
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Research Division
300 N. Salisbury St. Rm 545
Raleigh, NC 27603-5925
(919) 733-2578

April 11, 2005

MEMORANDUM

TO: Representative Thomas Wright

FROM: Stanley Moor 
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 784

Re: Service for Workers' Compensation

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
Representatives Bell and Wilson

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Mellon, March 31, 2005
- (3) Actuarial Note. Hartman & Associates, April 5, 2005

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 784 (First Edition)

SHORT TITLE: Creditable Service/Workers' Compensation.

SPONSOR(S): Representative Wright

FUNDS AFFECTED: Local Funds

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System.

EFFECTIVE DATE: July 1, 2005

BILL SUMMARY: Allows a local government employee who is on an employer-approved leave of absence and receiving Workers' Compensation benefits returns to service on or after July 1, 2005, and elects to purchase creditable service for the time on leave of absence, the employing local employer and the member must pay the cost.

ESTIMATED IMPACT ON LOCAL GOVERNMENTS: Both, Mellon, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost would be negligible.

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, 2003 actuarial valuation of the fund. The data included 119,755 active members with an annual payroll of \$3.9 billion and 34,861 retired members in receipt of annual pensions totaling \$487.5 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

TECHNICAL CONSIDERATIONS: None.

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

Official
Fiscal Research Division
Publication



DATE: April 11, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices



March 31, 2005

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 784

Dear Mr. Joyal:

We have received your request of March 28 regarding House Bill 784 which affects the Local Governmental Employees' Retirement System (L.GERS).

House Bill 784 appears to change the provisions of Section 128-26(I) which pertain to creditable service purchased for periods of employer approved leaves of absence while in receipt of benefits under the North Carolina Worker's Compensation Act. The legislation appears to require that in order to purchase creditable service for such Leaves of Absence terminating on and after July 1, 2005, the member must pay a lump sum amount equal to the employee percentage rate of contribution in effect at the time of purchase applied to the annual rate of compensation of the member immediately prior to the leave of absence. For members electing to make this payment, the member's employer which granted the leave of absence, or the member's employer upon a return to service, or both, shall make a matching lump-sum payment to the Pension Accumulation Fund within six months from return to service equal to the employer percentage rate of contribution in effect at the time of purchase applied to the annual rate of compensation of the member immediately prior to the leave of absence.

Under the current provisions, the member is required to pay both the member and employer contribution rate.

The total amount paid to the Retirement System for service purchased would not change due to this legislation. However, there could be an increase in the number of members who purchase such service since the employer would be paying a portion of the cost. Since these additional purchases would not be paid at full actuarial cost, there could be an impact on the Retirement System. However, we have no data available to determine the number of additional purchases that might occur.

As a technical note, if a member returns to work for an employer other than the one which was the employer before the leave, it is unclear who is responsible for payment. If both employers make a matching lump sum payment, it is possible that the total employer and employee lump sum payments made to the Retirement System may exceed the full actuarial cost of the creditable service that is purchased.

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

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51 RET03-180

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(770) 955-2488 Office • (770) 933-8336 Fax
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A Mellon Financial Company."

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 5, 2005

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

Re: House Bill 784: An Act to Provide Creditable Service in the
LGERS for Members in Receipt of Workers' Compensation Benefits

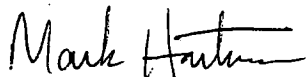
Dear Mr. Moore:

This bill amends G.S. 128-26(1) to modify the provision for purchasing creditable service in the Local Governmental Employees' Retirement System (LGERS) for periods of employer-approved leaves of absence when a member is in receipt of benefits under the Workers' Compensation Act. This act is effective July 1, 2005.

Currently, a member of the LGERS may purchase creditable service for such leave of absence. The employee must pay both the employee and employer rates of contribution, and interest is added for amounts not paid within six months of return to service. Under this bill, the member may elect to purchase such service by paying the employee contribution, and his employer would be required to pay the employer contribution. The total amount required to purchase the service would be the same as under current law, but part of the amount would be shifted to the employer. The estimated financial impact to the LGERS is expected to be negligible.

If you have any questions, let me know.

Sincerely,



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

MVH/jj

Carolyn Edwards (Rep. Bell)

From: Rebecca Jones (Rep. G. Wilson)**Sent:** Thursday, April 14, 2005 4:28 PM**To:** Carin Savel (Rep. Glazier); Susan Phillips (Rep. Eddins); Dot Crocker (Rep. Culpepper); Clarestone Stewart (Rep. Wright)**Subject:** NOTICE - Pensions and Retirement Committee Meeting

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2005-2006 SESSION**

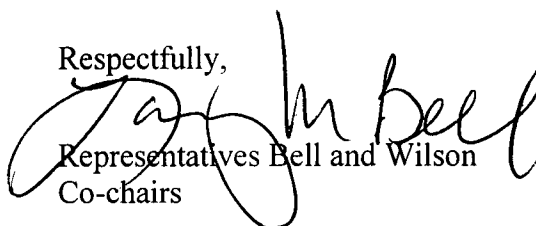
You are hereby notified that the Committee on **PENSIONS AND RETIREMENT** will meet as follows:

DAY & DATE: April 20, 2005**TIME:** 10:00 am**LOCATION:** 544 LOB

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

HB 402-Purchase Military Service/Retirement --Reps. Glazier and Eddins**HB 447-LEO Creditable Service/Workers' Compensation- Reps.Glazier and Eddins****HB 763-Fire and Rescue Workers' Retirement- Rep. Culpepper****HB 784-Creditable Service/Workers' Compensation.- Rep. Wright**

Respectfully,


Representatives Bell and Wilson
Co-chairs

I hereby certify this notice was filed by the committee clerk at the following offices at **4:30 pm** on **April 14, 2005**.

____Principal Clerk
____Reading Clerk - House Chamber

Rebecca Jones (Committee Assistant)

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

April 27, 2005

The House Committee on Pensions and Retirement met Wednesday, April 27, 2005, 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 B. Allen, Representatives Coleman, Culpepper, Folwell, Ross 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 introduced Representative Rapp to speak on House Bill 1073 - A BILL TO BE ENTITLED AN ACT TO EXTEND THE SUNSET FOR ALLOWING RETIRED TEACHERS TO RETURN TO WORK AFTER SIX MONTHS WITHOUT LOSING RETIREMENT BENEFITS AND TO DIRECT A STUDY OF THE IMPACT OF ALLOWING RETIRED STATE EMPLOYEES TO RETURN TO WORK. (ATTACHMENT 2) Representative Allen made a motion for a favorable report and that it be re-referred to the committee on Appropriations. The motion passed. (ATTACHMENT 3)

Representative Wilson introduced Representative Clary to speak on House Bill 182 - 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 4) Representative Ross made a motion for a favorable report. The motion passed. (ATTACHMENT 5)

Representative Wilson introduced Representative Fisher to speak on House Bill 485. A BILL TO BE ENTITLED AN ACT TO AUTHORIZE

AN EXISTING CHARTER SCHOOL TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE NORTH CAROLINA TEACHERS' AND STATE EMPLOYEES' MAJOR MEDICAL PLAN. (ATTACHMENT 6) A Proposed Committee Substitute was offered for House Bill 485. (ATTACHMENT 7) Representative Bell moved that it be adopted for committee consideration. The motion passed. Representative Tolson moved for a favorable report to the committee substitute, which changes the title, unfavorable as to the original bill. The motion passed. (ATTACHMENT 8)

Representative Wilson introduced Representative Culpepper to speak on House Bill 763- A BILL TO BE ENTITLED AN ACT TO ENHANCE THE BENEFITS FOR CAREER FIREFIGHTERS AND CAREER RESCUE SQUAD WORKERS WHO ARE MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM. (ATTACHMENT 9) Representative Culpepper offered an amendment to HB 763. Representative Ross made a motion to adopt the amendment for the committee's consideration and the motion carried (ATTACHMENT 10). Following discussion, Representative Tolson made a motion that the amendment be rolled into a proposed community substitute (ATTACHMENT 11) and that the committee substitute bill be given a favorable report, with an unfavorable report to the original bill. The motion passed. (ATTACHMENT 12)

There being no further business, Representative Wilson adjourned the meeting at 10:55 a.m.

Attachments

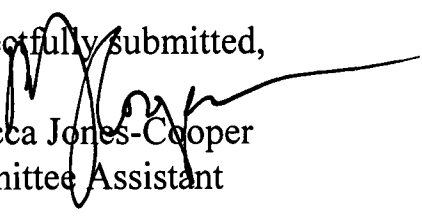
1. Visitation Registration Sheet
2. HB 1073
3. HB 1073 Report
4. HB 182
5. HB 182 Report
6. HB 485
7. PCS for HB 485
8. HB 485 Report
9. HB 763

10. Amendment for HB 763

11. PCS for HB 763

12. HB 763 Report

Respectfully submitted,


Rebecca Jones-Cooper
Committee Assistant

Representative Wilson

Representative Bell

Committee Chair

Committee Chair

Rebecca Jones (Rep. G. Wilson)

From: Carolyn Edwards (Rep. Bell)
Sent: Monday, April 25, 2005 1:53 PM
To: Rep. Bill Culpepper
Cc: Dot Crocker (Rep. Culpepper)
Subject: Committee Meeting Notice - Pensions And Retirement

CORRECTION: HOUSE BILL #
NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2005-2006 SESSION

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

DAY & DATE: Wednesday, April 27, 2005

TIME: 10:00 AM

LOCATION: LOB 544

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

HB 182 – Charter School Retirement Election – Reps. Clary, Ray

HB 485 – Charter School Retirement Election - Reps. Fisher, Goforth, Sherrill

HB 763 – Fire And Rescue Workers' Retirement – Rep. Culpepper

HB 1073 – Extend Sunset/Retired Teachers Return To Work – Reps. Rapp, McLawhorn

Respectfully,
Representatives Bell and Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **11:30 A.M.** on **Monday, April 25, 2005.**

____ Principal Clerk
____ Reading Clerk - House Chamber

Carolyn A. Edwards (Committee Assistant)

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

**April 27, 2005
10:00 P.M.
Room 544 LOB**

CHAIRS

Representative Larry Bell

Representative Eugene Wilson

CALL TO ORDER

OPENING REMARKS

BILLS TO BE CONSIDERED:

HB 1073 – Extend Sunset/Retired Teachers Return To Work – Reps. Rapp, McLawhorn

HB 182 – Charter School Retirement Election – Reps. Clary, Ray

HB 485 – Charter School Retirement Election - Reps. Fisher, Goforth, Sherrill

HB 763 – Fire And Rescue Workers' Retirement – Rep. Culpepper

ADJOURNMENT

44.1

VISITOR REGISTRATION SHEET

PENSION & Retirement

4-27-05

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

John Bowditch	ADA
Joe Bore	Bore & Assoc
Katherine Joyce	NCAAA
Ellen Graves	PCNC
Paul Meyer	NCAAL
ELLIS HANKINS	NCLM
Leanne Wimmer	NCSBB
Immi Fitzgerald	N.C. FPC
Kari Barsness	OSBM
Bill STOCKARD	OSBM
Paul Miller	NCSFA
Roger Bow	Bore & Assoc
John W	John W

VISITOR REGISTRATION SHEET

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

<u>NAME</u>	<u>FIRM OR AGENCY</u>
Alu-Ann Coe	CTA
DAVID ANDERS	PFFPNC
Andy Hiscock	PFFPNC
Herman C. Olson III	PFFPNC
Glenn Holbert	PFFPNC
Ardis Watkins	SEANC
Suzanne Beasley	SEANC
Cassidy McKenney	NCAE
Tim BRADLEY	DEPT OF INSURANCE
Richard O'Brien	PFFPNC
Doc Parry-Hill	NC Dept of Public Instruction
Robert W. Darley	PFFG L-947
Bo McMasters	PFFPNC
Jerky Wiggins	PFFPNC
HC McIntyre	PFFG - L-947
DIANA JONES	NCAH
Brenda Slawson	NCAH
KAREN HILL	Wake Forest University Baptist Medical Center Nurse Anesthesiologist Program
Michael Houser	NCAE
KATHY THOMPSON	Parker Poe Adams & Bernstein
BOBBY RIDDLE	PFFPNC
Conn Cooper	BPMHL
Shane Valliere	PFFPNC L-865
Greg HENDRIX	PFFPNC L-865
Glenn Rainey	Outer Banks firefighters - IAFF
Steven R. Kovacs	Outer Banks Professional Firefighters IAFF
DAVID PHILLIPS	QB.P.F.F.A. IAFF

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

1

HOUSE BILL 1073

Short Title: Extend Sunset/Retired Teachers Return to Work. (Public)

Sponsors: Representatives Rapp, McLawhorn (Primary Sponsors); Alexander, B. Allen, L. Allen, Bell, Bordsen, Carney, Coates, Cole, Coleman, Dickson, England, Farmer-Butterfield, Fisher, Glazier, Goforth, Hackney, Insko, Justus, LaRoque, McGee, Parmon, Preston, Ross, Saunders, Steen, Tolson, Wainwright, Warren, Weiss, Wright, and Yongue.

Referred to: Pensions and Retirement.

March 31, 2005

A BILL TO BE ENTITLED

AN ACT TO EXTEND THE SUNSET FOR ALLOWING RETIRED TEACHERS TO RETURN TO WORK AFTER SIX MONTHS WITHOUT LOSING RETIREMENT BENEFITS AND TO DIRECT A STUDY OF THE IMPACT OF ALLOWING RETIRED STATE EMPLOYEES TO RETURN TO WORK.

The General Assembly of North Carolina enacts:

SECTION 1. Subsection (d) of Section 28.24 of S.L. 1998-212, as rewritten by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as rewritten:

"(d) This section becomes effective January 1, 1999, and expires June 30, ~~2005~~. 2006."

SECTION 2. The introductory language of Section 67 of S.L. 1998-217, as rewritten by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as rewritten:

"**SECTION 67.** Effective January 1, 1999, through June 30, ~~2005~~, 2006, G.S. 135-3(8)c., as rewritten by Section 28.24(a) of S.L. 1998-212 reads as rewritten:"

SECTION 3. Subsection (b) of Section 67.1 of S.L. 1998-217, as rewritten by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as rewritten:

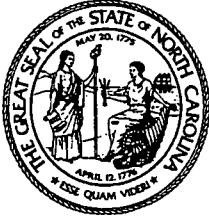
"(b) This section becomes effective January 1, 1999, and expires June 30, ~~2005~~. 2006."

SECTION 4. Subsection (c) of Section 32.25 of S.L. 2001-424, as rewritten by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as rewritten:

1 "SECTION 32.25.(c) This section becomes effective July 1, 2001, and expires June
2 30, ~~2005~~, 2006."

3 SECTION 5. The Department of Public Instruction and the Office of State
4 Personnel, in consultation with the Retirement Systems Division, shall study the impact
5 of eliminating the postretirement earnings restriction for teachers and shall also evaluate
6 the potential for eliminating that restriction for all State employees. The study shall
7 provide separate evaluations for eliminating the restriction for all State employees,
8 alternatively applying both a two-month waiting period and a six-month waiting period
9 prior to reemployment. The Department of Public Instruction and the Office of State
10 Personnel shall report their findings and any recommendations to the 2007 General
11 Assembly.

12 SECTION 6. This act becomes effective June 30, 2005.



HOUSE BILL 1073: Extend Sunset/Retired Teachers Return to Work

BILL ANALYSIS

Committee:	House Pensions and Retirement	Date:	April 27, 2005
Introduced by:	Reps. Rapp, McLawhorn	Summary by:	Karen Cochrane-Brown
Version:	First Edition		Committee Counsel

SUMMARY: *House Bill 1073 extends the sunset for the provision allowing retired public employees to return to service as a public school teacher without reduction of their retirement allowance. The law is currently set to expire on June 30, 2005. This bill extends it for one year.*

The bill also directs the Department of Public Instruction and the Office of State Personnel to study the impact of eliminating the earnings restriction for teachers and possibly for all State employees. These agencies are directed to report their findings and recommendations to the 2007 General Assembly.

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, 2005.

BILL ANALYSIS:

This bill again extends the exemption for one year, so that retirees could return to teaching without any earnings limitation until June 30, 2006.

The bill also directs the Department of Public Instruction (DPI) and the Office of State Personnel (OSP) to study the impact of eliminating the postretirement earnings restriction for teachers and to evaluate the potential elimination of the restriction for all State employees. The DPI and OSP must report their findings and recommendations to the 2007 General Assembly.

EFFECTIVE DATE: This act would become effective June 30, 2005.

H1073e1-SMRO

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 1073 (First Edition)

SHORT TITLE: Extend Sunset/Retired Teachers Return to Work.

SPONSOR(S): Representatives McLawhorn and Rapp

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

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

EFFECTIVE DATE: June 30, 2005

BILL SUMMARY: The law now permits re-employment of retired public school employees to teach, allowing them to earn salary on the regular salary schedule without reducing their retirement benefits. This provision is scheduled to expire June 30, 2005. This bill extends the sunset on the provision to June 30, 2006 and requires that the Department of Public Instruction and the Office of State Personnel, in consultation with the Retirement Systems Division, to study the impact of removing the retiree earnings cap and evaluate the elimination of the earnings cap for all State employees and report the results of the study to the 2007 General Assembly.

ESTIMATED IMPACT:

Retirement System Actuary: Mellon estimates the cost to be 0.03% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$2.4M	\$2.5M	\$2.7M	\$2.8M	\$2.9M
Highway Fund	\$0.1M	\$0.1M	\$0.1M	\$0.1M	\$0.1M
Receipt Funds	<u>\$0.8M</u>	<u>\$0.8M</u>	<u>\$0.9M</u>	<u>\$0.9M</u>	<u>\$1.0M</u>
TOTAL COST	\$3.3M	\$3.5M	\$3.7M	\$3.8M	\$4.0M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.04% of the payroll of all members of the Teachers' and State Employees' Retirement System.

<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>

General Fund	\$3.2M	\$3.4M	\$3.5M	\$3.7M	\$3.9M
Highway Fund	\$0.2M	\$0.2M	\$0.2M	\$0.2M	\$0.2M
Receipt Funds	<u>\$1.1M</u>	<u>\$1.1M</u>	<u>\$1.2M</u>	<u>\$1.2M</u>	<u>\$1.3M</u>
TOTAL COST	\$4.4M	\$4.7M	\$4.9M	\$5.1M	\$5.3M

There are available gains of 0.47% of payroll in the Teachers' and State Employees' Retirement System to fund this sunset extension, without increasing the contribution rate.

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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 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

TECHNICAL CONSIDERATIONS: The estimated cost is determined by using the assumed rates of retirement versus the actual rates of retirement for members of this group.



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: April 25, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices

2005 COMMITTEE REPORT HOUSE OF REPRESENTATIVES

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

By Representatives **Bell and Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for

H.B. 1073 A BILL TO BE ENTITLED AN ACT TO EXTEND THE SUNSET FOR ALLOWING RETIRED TEACHERS TO RETURN TO WORK AFTER SIX MONTHS WITHOUT LOSING RETIREMENT BENEFITS AND TO DIRECT A STUDY OF THE IMPACT OF ALLOWING RETIRED STATE EMPLOYEES TO RETURN TO WORK.

☐ 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 2005

H

1

HOUSE BILL 182

Short Title: Charter School Retirement Election. (Public)

Sponsors: Representatives Ray, Clary (Primary Sponsors); Current,
Farmer-Butterfield, Holmes, Howard, Rayfield, Setzer, and Steen.

Referred to: Pensions and Retirement.

February 10, 2005

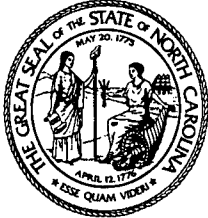
A BILL TO BE ENTITLED

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 and G.S. 135-40.3A, the boards of directors of Success Institute, a charter school in Statesville, and Piedmont Community Charter School in Gastonia 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 182: Charter School Retirement Election

BILL ANALYSIS

Committee:	House Pensions and Retirement	Date:	April 27, 2005
Introduced by:	Reps. Ray, Clary	Summary by:	Theresa Matula
Version:	First Edition		Committee Staff

SUMMARY: *House Bill 182 allows Success Institute, a charter school in Statesville, and Piedmont Community Charter school in Gastonia to elect to participate in the Teachers' and State Employees' Retirement System and the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan.*

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:

House Bill 182 permits Success Institute, a charter school in Statesville, and Piedmont Community Charter school in Gastonia, to elect to become participating employers in the Teachers' and State Employees' Retirement System and to elect to become participating employing units in the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan. The bill requires that these elections be made no later than 30 days after the effective date of the act and in accordance with all other requirements of G.S. 135-5.3 and G.S. 135-40.3A.

EFFECTIVE DATE:

This act is effective when it becomes law.

H0182e1-SMSH



**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

March 2, 2005

MEMORANDUM

TO: Representative Debbie Clary
Representative Karen Ray

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 182

Re: Allows two existing charter schools to elect to participate in the Teachers' and State Employees' Retirement System.

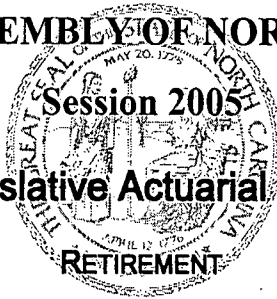
In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original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

cc: House Principal Clerk
Representatives Bell and Wilson

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Mellon, February 24, 2005
- (3) Actuarial Note. Hartman & Associates, February 17, 2005

GENERAL ASSEMBLY OF NORTH CAROLINA



Legislative Actuarial Note

BILL NUMBER: House Bill 182 (First Edition)

SHORT TITLE: Charter School Retirement Election.

SPONSOR(S): Representatives Clary and Ray

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

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

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: Permits the boards of directors of Success Institute in Statesville, and Piedmont Community Charter School in Gastonia, both charter schools, to become participating employers in the Teachers' and State Employees' Retirement System within 30 days after the act becomes law.

ESTIMATED IMPACT ON STATE: Both, Mellon, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, 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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 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

TECHNICAL CONSIDERATIONS: None

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 1, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 182 (First Edition)

SHORT TITLE: Charter School Retirement Election.

SPONSOR(S): Representatives Clary and Ray

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

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

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: Permits the boards of directors of Success Institute in Statesville, and Piedmont Community Charter School in Gastonia, both charter schools, to become participating employers in the Teachers' and State Employees' Retirement System within 30 days after the act becomes law.

ESTIMATED IMPACT ON STATE: Both, Mellon, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, 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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 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

TECHNICAL CONSIDERATIONS: None

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 1, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.07% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$5.6M	\$5.9M	\$6.2M	\$6.5M	\$6.8M
Highway Fund	\$0.3M	\$0.3M	\$0.3M	\$0.3M	\$0.3M
Receipt Funds	<u>\$1.8M</u>	<u>\$1.9M</u>	<u>\$2.0M</u>	<u>\$2.1M</u>	<u>\$2.2M</u>
TOTAL COST	\$7.8M	\$8.1M	\$8.5M	\$8.9M	\$9.4M

There are available gains of 0.47% of payroll in the Teachers' and State Employees' Retirement System to fund this sunset extension, without increasing the contribution rate.

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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 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

TECHNICAL CONSIDERATIONS: The estimated cost is determined by using the assumed rates of retirement versus the actual rates of retirement for members of this group.

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 16, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices



February 24, 2005

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 182

Dear Mr. Joyal:

We have received your letter of February 21 regarding House Bill 182 which affects the Teachers' and State Employees' Retirement System and the Teachers' and State Employees' Major Medical Plan.

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. We have not determined the impact on the Medical Plan for this legislation.

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

Sincerely,

Edward A. Macdonald
Principal and Consulting Actuary

EAM:sh

P:\North Carolina Teachers\2005\Retirement\House Bill 182.doc
387 RE:103-180

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

February 17, 2005

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

Re: House Bill 182: An Act to Authorize Existing Charter Schools to
Elect to Participate in the TSERS

Dear Mr. Moore:

This bill provides an opportunity for two existing charter schools, Success Institute and Piedmont Community Charter School, 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 these specific 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 employee demographics of the charter school 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 charter school. 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 V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

2005 COMMITTEE REPORT HOUSE OF REPRESENTATIVES

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

By Representatives **Bell and Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for

H.B. 182 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

Att. 6

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

1

HOUSE BILL 485

Short Title: Charter School Retirement Election.

(Public)

Sponsors: Representatives Fisher, Goforth, and Sherrill (Primary Sponsors).

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

March 7, 2005

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE AN EXISTING CHARTER SCHOOL 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 and G.S. 135-40.3A, the board of directors of Evergreen Charter School, a charter school located in Asheville, 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. 7

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

D

HOUSE BILL 485
PROPOSED COMMITTEE SUBSTITUTE H485-PCS50357-LL-4

Short Title: Charter School Retirement Election.

(Public)

Sponsors:

Referred to:

March 7, 2005

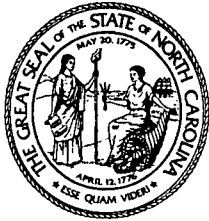
A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE AN EXISTING CHARTER SCHOOL TO ELECT TO
PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES'
RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding the time limitation contained in G.S. 135-5.3, the Board of Directors of Evergreen Charter School, a charter school located in Asheville, 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. The election 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.

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



HOUSE BILL 485: Charter School Retirement Election

BILL ANALYSIS

Committee: House Pensions and Retirement
Introduced by: Reps. Fisher, Goforth, Sherrill
Version: First Edition
H485-PCS50357-LL-4

Date: April 27, 2005
Summary by: Theresa Matula
Committee Staff

SUMMARY: *The Proposed Committee Substitute for House Bill 485 allows Evergreen Charter School in Asheville to elect to participate in the Teachers' and State Employees' Retirement System.*

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.

BILL ANALYSIS:

The Proposed Committee Substitute for House Bill 485 permits Evergreen Charter School, a charter school in Asheville, to elect to become participating employers in the Teachers' and State Employees' Retirement System. The bill requires that this election be made no later than 30 days after the effective date of the act and in accordance with all other requirements of G.S. 135-5.3.

EFFECTIVE DATE:

This act is effective when it becomes law.

H0485e1-SMSH-PCS50357-LL-4



**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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300 N. Salisbury St. Rm 401
Raleigh, NC 27603-5925
(919) 733-6660

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Fiscal Research Division
300 N. Salisbury St. Rm 619
Raleigh, NC 27603-5925
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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

March 29, 2005

MEMORANDUM

TO: Representative Wilma Sherrill
Representative Bruce Goforth
Representative Susan Fisher

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 485

Re: Allows one existing charter schools to elect to participate in the Teachers' and State Employees' Retirement System.

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

cc: House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Mellon, March 28, 2005
- (3) Actuarial Note. Hartman & Associates, March 17, 2005

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 485 (First Edition)

SHORT TITLE: Charter School Retirement Election.

SPONSOR(S): Representatives Sherrill, Goforth, and Fisher

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

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

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: Permits the board of directors of Evergreen Charter School, in Asheville, to become a participating employer in the Teachers' and State Employees' Retirement System and the NC Teachers' and State Employees' Comprehensive Major Medical Plan within 30 days after act becomes law.

ESTIMATED IMPACT ON STATE: Both, Mellon, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, 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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 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

TECHNICAL CONSIDERATIONS: None

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 28, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices



Human Resources & Investor Solutions

March 28, 2005

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 485

Dear Mr. Joyal:

We have received your letter of March 24 regarding House Bill 485 which affects the Teachers' and State Employees' Retirement System and the Teachers' and State Employees' Major Medical Plan.

This legislation, appears to amend the statutes governing charter schools to allow one charter school an 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. This election 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. We have not determined the impact on the Medical Plan for this legislation.

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

Sincerely,

A handwritten signature in dark ink, appearing to read 'E. Macdonald'.

Edward A. Macdonald
Principal and Consulting Actuary

EAM:sh

H:\North Carolina Teachers\2005\Correspondence\House Bill 485.doc
387 RET03-180

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www.mellon.com

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HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

March 17, 2005

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

Re: House Bill 485: An Act to Authorize An Existing Charter School
to Elect to Participate in the TSERS

Dear Mr. Moore:

This bill provides an opportunity for one existing charter school, Evergreen Charter School, 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 this specific school 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 employee demographics of the charter school 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 charter school. 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 V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/mt

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 485 (First Edition)

SHORT TITLE: Charter School Retirement Election.

SPONSOR(S): Representatives Sherrill, Goforth, and Fisher

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

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

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: Permits the board of directors of Evergreen Charter School, in Asheville, to become a participating employer in the Teachers' and State Employees' Retirement System and the NC Teachers' and State Employees' Comprehensive Major Medical Plan within 30 days after act becomes law.

ESTIMATED IMPACT ON STATE: Both, Mellon, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, 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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 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

TECHNICAL CONSIDERATIONS: None

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 28, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices

2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

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

By Representatives **Bell and Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for

H.B. 485 A BILL TO BE ENTITLED AN ACT TO AUTHORIZE AN EXISTING CHARTER SCHOOL 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 2005

H

1

HOUSE BILL 763*

Short Title: Fire and Rescue Workers' Retirement. (Public)

Sponsors: Representatives Culpepper; Faison, LaRoque, Martin, Moore, Pierce, and Wainwright.

Referred to: Pensions and Retirement.

March 17, 2005

A BILL TO BE ENTITLED
AN ACT TO ENHANCE THE BENEFITS FOR CAREER FIREFIGHTERS AND
CAREER RESCUE SQUAD WORKERS WHO ARE MEMBERS OF THE
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. Article 12E of Chapter 143 of the General Statutes reads as rewritten:

"Article 12E.

"Retirement Benefits for Local Governmental Law-Enforcement ~~Officers~~. Officers and Career Firefighters and Rescue Squad Workers.

"§ 143-166.50. Retirement benefits for local governmental law-enforcement ~~officers~~. officers and career firefighters and rescue squad workers.

(a) Definitions. – The following words and phrases as used in this Article, unless a different meaning is plainly required by the context, have the following meaning:

(1) "Beneficiary" means any person in receipt of a retirement allowance or other benefit from a Retirement System.

(1a) "Career firefighter" means a person (i) who is a full-time paid employee of an employer that participates in the Local Governmental Employees' Retirement System and maintains a fire department certified by the North Carolina Department of Insurance, and (ii) who is actively serving in a position with assigned primary duties and responsibilities for the prevention, detection, and suppression of fire.

(1b) "Career rescue squad worker" means a person (i) who is a full-time paid employee of an employer that participates in the Local Governmental Employees' Retirement System and maintains a rescue squad or emergency medical services team certified by the North Carolina Department of Insurance or the Department of Health and Human Services, and (ii) who is actively serving in a position with

1 assigned primary duties and responsibilities for the alleviation of
2 human suffering and assistance to persons who are in difficulty, who
3 are injured, or who become suddenly ill, by providing proper and
4 efficient care or emergency medical services.

5 (2) "Employer" means a county, city, town or other political subdivision
6 of the State.

7 (3) "Law-enforcement officer" means a full-time paid employee of an
8 employer, who possesses the power of arrest, who has taken the law
9 enforcement oath administered under the authority of the State as
10 prescribed by G.S. 11-11, and who is certified as a law enforcement
11 officer under the provisions of Chapter 17C of the General Statutes or
12 certified as a deputy sheriff under the provisions of Chapter 17E of the
13 General Statutes. "Law enforcement officer" also means the sheriff of
14 the county. The number of paid personnel employed as law
15 enforcement officers by a law enforcement agency may not exceed the
16 number of law enforcement positions approved by the applicable local
17 governing board. -

18 (4) "Law-Enforcement Officers' Retirement System" means the system
19 provided for under Article 12 of Chapter 143 of the General Statutes,
20 as it existed prior to January 1, 1986.

21 (5) "Local Governmental Employees' Retirement System" means the
22 Local Governmental Employees' Retirement System of North Carolina
23 provided for under Article 3 of Chapter 128 of the General Statutes.

24 (6) "Member" means an ~~officer~~officer, firefighter, or rescue squad worker
25 included in the membership of a retirement system, including former
26 ~~officers~~officers, firefighters, or rescue squad workers no longer
27 employed who also elected to leave their accumulated contributions on
28 deposit with a Retirement System.

29 (7) "Officer" means a "law-enforcement officer."

30 (8) "State" means the State of North Carolina.

31 (b) Basic Retirement System. – On and after January 1, 1986, law-enforcement
32 officers employed by an employer shall be members of the Local Government
33 Employees' Retirement System, and beneficiaries who were last employed as officers
34 by an employer, or who are surviving beneficiaries of officers last employed by an
35 employer, are beneficiaries of the Local Governmental Employees' Retirement System
36 and paid in benefit amounts then in effect. All members of the Law-Enforcement
37 Officers' Retirement System last employed and paid by an employer are members of the
38 Local Retirement System.

39 (c) Rights. – Notwithstanding any other provisions of law, any accrued or
40 inchoate rights of a member of the Law-Enforcement Officers' Retirement System as of
41 his transfer to the Local Governmental Employees' Retirement System on January 1,
42 1986, including the rights to a vested deferred retirement allowance and to commence
43 retirement at certain ages with required years of service as a law-enforcement officer,
44 may in no way be diminished; provided, however, in no event may a member

1 commence retirement and continue membership service with the same Retirement
2 System after January 1, 1986.

3 (d) Court Cost Receipts. – Of the sum derived from the cost of court provided for
4 in G.S. 7A-304(a)(3), the amount designated for this Article, except for the amount
5 designated for the provisions of G.S. 143-166.50(e), shall be paid over to the pension
6 accumulation fund of the Local Governmental Employees' Retirement System and shall
7 offset, to the extent of these receipts, the employers' normal contribution rate required in
8 G.S. 128-30(d)(2) as it pertains to law enforcement officers.

9 (e) Supplemental Retirement Income Plan for Local Governmental
10 Law-Enforcement Officers. – As of January 1, 1986, all law-enforcement officers
11 employed by a local government employer, are participating members of the
12 Supplemental Retirement Income Plan as provided by Article 5 of Chapter 135 of the
13 General Statutes. In addition to the contributions transferred from the Law-Enforcement
14 Officers' Retirement System, participants may make voluntary contributions to the
15 Supplemental Retirement Income Plan to be credited to the designated individual
16 accounts of participants; provided, in no instance shall the total contributions by a
17 participant exceed ten percent (10%) of a participant's compensation within any
18 calendar year. From July 1, 1987, until July 1, 1988, local government employers of law
19 enforcement officers shall contribute an amount equal to at least two percent (2%) of
20 participating local officers' monthly compensation to the Supplemental Retirement
21 Income Plan to be credited to the designated individual accounts of participating local
22 officers; and on and after July 1, 1988, local government employers of law enforcement
23 officers shall contribute an amount equal to five percent (5%) of participating local
24 officers' monthly compensation to the Supplemental Retirement Income Plan to be
25 credited to the designated individual accounts of participating local officers.

26 Additional contributions shall also be made to the individual accounts of all
27 participants in the Plan, except for Sheriffs, on a per capita equal-share basis from the
28 sum of one dollar and twenty-five cents (\$1.25) for each cost of court collected under
29 G.S. 7A-304.

30 (e1) Rights of Participants under the Uniformed Services Employment and
31 Reemployment Rights Act. – A participant whose employment is interrupted by reason
32 of service in the Uniformed Services, as that term is defined in section 4303(16) of the
33 Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353,
34 hereafter referred to as "USERRA", shall be entitled to all rights and benefits that the
35 participant would have been entitled to under this section had the participant's
36 employment not been interrupted, provided that the participant returns to service as a
37 law enforcement officer while the participant's reemployment rights are protected under
38 the provisions of USERRA

39 (f) Supplemental Retirement Income Plan for Full-Time Local Career
40 Firefighters and Rescue Squad Workers. – As of January 1, 2006, all career firefighters
41 and career rescue squad workers employed by a local government employer are
42 participating members of the Supplemental Retirement Income Plan as provided by
43 Article 5 of Chapter 135 of the General Statutes. Participants may make voluntary
44 contributions to the Supplemental Retirement Income Plan to be credited to the

1 designated individual accounts of participants; however, in no instance shall the total
2 contributions by a participant exceed ten percent (10%) of a participant's compensation
3 within any calendar year. On and after January 1, 2006, local government employers of
4 career firefighters or career rescue squad workers shall contribute an amount equal to
5 five percent (5%) of participating firefighters' or rescue squad workers' monthly
6 compensation to the Supplemental Retirement Income Plan to be credited to the
7 designated individual accounts of participating firefighters or rescue squad workers."

8 **SECTION 2.** G.S. 128-21 is amended by adding two new subdivisions to
9 read:

10 "(7b) "Career firefighter" means a person (i) who is a full-time paid
11 employee of an employer that participates in the Local Governmental
12 Employees' Retirement System and maintains a fire department
13 certified by the North Carolina Department of Insurance, and (ii) who
14 is actively serving in a position with assigned primary duties and
15 responsibilities for the prevention, detection, and suppression of fire.

16 (7c) "Career rescue squad worker" means a person (i) who is a full-time
17 paid employee of an employer that participates in the Local
18 Governmental Employees' Retirement System and maintains a rescue
19 squad or emergency medical services team certified by the North
20 Carolina Department of Insurance or the Department of Health and
21 Human Services, and (ii) who is actively serving in a position with
22 assigned primary duties and responsibilities for the alleviation of
23 human suffering and assistance to persons who are in difficulty, who
24 are injured, or who become suddenly ill, by providing proper and
25 efficient care or emergency medical services."

26 **SECTION 3.** G.S. 128-24(5) reads as rewritten:

27 "(5) The provisions of this subdivision (5) shall apply to any member
28 whose membership is terminated on or after July 1, 1965, and who
29 becomes entitled to benefits hereunder in accordance with the
30 provisions hereof.

31 a. Notwithstanding any other provision of this Chapter, any
32 member who separates from service prior to the attainment of
33 the age of 60 years for any reason other than death or retirement
34 for disability as provided in G.S. 128-27(c), after completing 15
35 or more years of creditable service, and who leaves his total
36 accumulated contributions in said System shall have the right to
37 retire on a deferred retirement allowance upon attaining the age
38 of 60 years; provided that such member may retire only upon
39 written application to the Board of Trustees setting forth at what
40 time, not less than one day nor more than 90 days subsequent to
41 the execution and filing thereof, he desires to be retired; and
42 further provided that in the case of a member who so separates
43 from service on or after July 1, 1967, the aforesated
44 requirement of 15 or more years of creditable service shall be

reduced to 12 or more years of creditable service; and further provided that in the case of a member who so separates from service on or after July 1, 1971, or whose account is active on July 1, 1971, the aforesaid requirement of 12 or more years of creditable service shall be reduced to five or more years of creditable service. Such deferred retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to a member who is not a law enforcement officer or eligible former law enforcement officer.

- b. In lieu of the benefits provided in paragraph a of this subdivision, any member who separates from service prior to the attainment of the age of 60 years, for any reason other than death or retirement for disability as provided in G.S. 128-27(c), after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System may elect to retire on an early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided that such member may so retire only upon written application to the Board of Trustees setting forth at what time, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired. Such early retirement allowance so elected shall be equal to the deferred retirement allowance otherwise payable at the attainment of the age of 60 years reduced by the percentage thereof indicated below.

Age at Retirement	Percentage Reduction
59	7
58	14
57	20
56	25
55	30
54	35
53	39
52	43
51	46
50	50

- b1. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement ~~officer~~ officer, career firefighter, or career rescue squad worker at the time of separation from service prior to the attainment of the age of 50 years, for any reason other than death or disability as provided in this Article, after completing 15 or more years of

1 creditable service in this capacity immediately prior to
2 separation from service, and who leaves his total accumulated
3 contributions in this System, may elect to retire on a deferred
4 early retirement allowance upon attaining the age of 50 years or
5 at any time thereafter; provided, that the member may
6 commence retirement only upon written application to the
7 Board of Trustees setting forth at what time, as of the first day
8 of a calendar month, not less than one day nor more than 90
9 days subsequent to the execution and filing thereof, he desires
10 to commence retirement. The deferred early retirement
11 allowance shall be computed in accordance with the service
12 retirement provisions of this Article pertaining to law
13 enforcement ~~officers~~officers, career firefighter, or career rescue
14 squad workers.

15 b2. In lieu of the benefits provided in paragraphs a and b of this
16 subdivision, any member who is a law enforcement officer at
17 the time of separation from service prior to the attainment of the
18 age of 55 years, for any reason other than death or disability as
19 provided in this Article, after completing five or more years of
20 creditable service in this capacity immediately prior to
21 separation from service, and who leaves his total accumulated
22 contributions in this System may elect to retire on a deferred
23 service retirement allowance upon attaining the age of 55 years
24 or at any time thereafter; provided, that the member may
25 commence retirement only upon written application to the
26 Board of Trustees setting forth at what time, as of the first day
27 of a calendar month not less than one day nor more than 90
28 days subsequent to the execution and filing thereof, he desires
29 to commence retirement. The deferred service retirement
30 allowance shall be computed in accordance with the service
31 retirement provisions of this Article pertaining to law
32 enforcement ~~officers~~officers, career firefighters, or career
33 rescue squad workers.

34 b3. Deferred retirement allowance of members retiring on or after
35 July 1, 1995. – In lieu of the benefits provided in paragraphs a.
36 and b. of this subdivision, any member who separates from
37 service prior to attainment of age 60 years, after completing 20
38 or more years of creditable service, and who leaves his total
39 accumulated contributions in said System, may elect to retire on
40 a deferred retirement allowance upon attaining the age of 50
41 years or any time thereafter; provided that such member may so
42 retire only upon written application to the Board of Trustees
43 setting forth at what time, not less than one day nor more than
44 90 days subsequent to the execution and filing thereof, he

desires to be retired. Such deferred retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to a member who is not a law enforcement ~~officer~~ or officer, an eligible former law enforcement ~~officer~~, officer, a career firefighter, an eligible former career firefighter, a career rescue squad worker, or an eligible former career rescue squad worker.

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%).

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

Upon his subsequent retirement, he shall be paid a retirement allowance determined as follows:

1. For a member who earns at least three years' membership service after restoration to service, the retirement allowance shall be computed on the basis of his compensation and service before and after the period of prior retirement without restriction; provided, that if the prior allowance was based on a social security leveling payment option, the allowance shall be adjusted

1 actuarially for the difference between the amount
2 received under the optional payment and what would
3 have been paid if the retirement allowance had been paid
4 without optional modification.

- 5 2. For a member who does not earn three years'
6 membership service after restoration to service, the
7 retirement allowance shall be equal to the sum of the
8 retirement allowance to which he would have been
9 entitled had he not been restored to service, without
10 modification of the election of an optional allowance
11 previously made, and the retirement allowance that
12 results from service earned since being restored to
13 service; provided, that if the prior retirement allowance
14 was based on a social security leveling payment option,
15 the prior allowance shall be adjusted actuarially for the
16 difference between the amount that would have been
17 paid for each month had the payment not been suspended
18 and what would have been paid if the retirement
19 allowance had been paid without optional modification."

20 **SECTION 4.** G.S. 128-27(a) reads as rewritten:

21 "(a) Service Retirement Benefits. –

- 22 (1) Any member may retire upon written application to the Board of
23 Trustees setting forth at what time, as of the first day of a calendar
24 month, not less than one day nor more than 90 days subsequent to the
25 execution and filing thereof, he desires to be retired: Provided, that the
26 said member at the time so specified for his retirement shall have
27 attained the age of 60 years and have at least five years of creditable
28 service or shall have completed 30 years of creditable service, or if a
29 ~~fireman, he~~ career firefighter or career rescue squad worker, the
30 member shall have attained the age of 55 years and have at least five
31 years of creditable service.
32 (2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.
33 (3) Repealed by Session Laws 1971, c. 325, s. 12.
34 (4) Any member who was in service October 8, 1981, who had attained 60
35 years of age, may retire upon written application to the Board of
36 Trustees setting forth at what time, as of the first day of a calendar
37 month, not less than one day nor more than 90 days subsequent to the
38 execution and filing thereof, he desires to be retired.
39 (5) Any member who is a law enforcement officer, career firefighter, or
40 career rescue squad worker and who attains age 50 and completes 15
41 or more years of creditable service in this capacity or who attains age
42 55 and completes five or more years of creditable service in this
43 capacity, may retire upon written application to the Board of Trustees
44 setting forth at what time, as of the first day of a calendar month, not

1 less than one day nor more than 90 days subsequent to the execution
2 and filing thereof, ~~he~~ the member desires to be retired; provided, also,
3 any member who has met the conditions required by this subdivision
4 but does not retire, and later becomes an employee other than as a law
5 enforcement officer, career firefighter, or career rescue squad worker
6 continues to have the right to commence retirement."

7 **SECTION 5.** G.S. 128-27(b21) reads as rewritten:

8 "(b21) Service Retirement Allowance of Member Retiring on or After July 1, 2003,
9 2003, but Before January 1, 2006. – Upon retirement from service in accordance with
10 subsection (a) or (a1) above, on or after July 1, 2003, but before January 1, 2006, a
11 member shall receive the following service retirement allowance:

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

15 a. If the member's service retirement date occurs on or after his
16 55th birthday and completion of five years of creditable service
17 as a law enforcement officer, or after the completion of 30 years
18 of creditable service, the allowance shall be equal to one and
19 eighty-five hundredths percent (1.85%) of his average final
20 compensation, multiplied by the number of years of his
21 creditable service.

22 b. If the member's service retirement date occurs on or after his
23 50th birthday and before his 55th birthday with 15 or more
24 years of creditable service as a law enforcement officer and
25 prior to the completion of 30 years of creditable service, his
26 retirement allowance shall be equal to the greater of:

- 27 1. The service retirement allowance payable under
28 G.S. 128-27(b21)(1)a. reduced by one-third of one
29 percent (1/3 of 1%) thereof for each month by which his
30 retirement date precedes the first day of the month
31 coincident with or next following the month the member
32 would have attained his 55th birthday;
33 2. The service retirement allowance as computed under
34 G.S. 128-27(b21)(1)a. reduced by five percent (5%)
35 times the difference between 30 years and his creditable
36 service at retirement.

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

40 a. If the member's service retirement date occurs on or after his
41 65th birthday upon the completion of five years of creditable
42 service or after the completion of 30 years of creditable service
43 or on or after his 60th birthday upon the completion of 25 years
44 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 6. G.S. 128-27 is amended by adding a new subsection to read:

"(b22) Service Retirement Allowance of Member Retiring on or After January 1, 2006. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after January 1, 2006, a member shall receive the following service retirement allowance:

- (1) A member who is a law enforcement officer, an eligible former law enforcement officer, a career firefighter, an eligible former career

firefighter, a career rescue squad worker, or an eligible former career rescue squad worker 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, career firefighter, or a career rescue squad worker, 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, career firefighter, or career rescue squad worker 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(b22)(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(b22)(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, an eligible former law enforcement officer, a career firefighter, an eligible former career firefighter, a career rescue squad worker, or an eligible former career rescue squad worker 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

1 G.S. 128-27(b22)(2)a. but shall be reduced by one-quarter of
2 one percent (1/4 of 1%) thereof for each month by which his
3 retirement date precedes the first day of the month coincident
4 with or next following his 65th birthday.

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

10 1. The service retirement allowance as computed under
11 G.S. 128-27(b22)(2)a. but reduced by the sum of
12 five-twelfths of one percent (5/12 of 1%) thereof for
13 each month by which his retirement date precedes the
14 first day of the month coincident with or next following
15 the month the member would have attained his 60th
16 birthday, plus one-quarter of one percent (1/4 of 1%)
17 thereof for each month by which his 60th birthday
18 precedes the first day of the month coincident with or
19 next following his 65th birthday; or

20 2. The service retirement allowance as computed under
21 G.S. 128-27(b22)(2)a. reduced by five percent (5%)
22 times the difference between 30 years and his creditable
23 service at retirement; or

24 3. If the member's creditable service commenced prior to
25 July 1, 1995, the service retirement allowance equal to
26 the actuarial equivalent of the allowance payable at the
27 age of 60 years as computed in G.S. 128-27(b22)(2)b.

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

31 **SECTION 7.** G.S. 128-27(m) reads as rewritten:

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

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

41 b. The member had obtained 20 years of creditable service in
42 which case the retirement allowance shall be computed in
43 accordance with G.S. 128-27(b21)(1)b. ~~or~~
44 G.S. 128-27(b21)(2)c., G.S. 128-27(b22)(1)b. or

1 G.S. 128-27(b22)(2)c., notwithstanding the requirement of
2 obtaining age 50, or

3 c. The member had not commenced to receive a retirement
4 allowance as provided under this Chapter.

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

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

10 For the purpose of this benefit, a member is considered to be in service at the date of
11 his death if his death occurs within 180 days from the last day of his actual service. The
12 last day of actual service shall be determined as provided in subsection (1) of this
13 section. Upon the death of a member in service, the surviving spouse may make all
14 purchases for creditable service as provided for under this Chapter for which the
15 member had made application in writing prior to the date of death, provided that the
16 date of death occurred prior to or within 60 days after notification of the cost to make
17 the purchase."

18 **SECTION 8.** This act becomes effective January 1, 2006, but shall not affect
19 the rights of a person who is a vested member of the Local Governmental Employees'
20 Retirement System on that date to any disability benefits for which that person is
21 otherwise eligible on that date.

AA. 10



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 763*

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

H763-ALL-2 [v.1]

Page 1 of 1

Date _____, 2005

Comm. Sub. [NO]
Amends Title [NO]
First Edition

Representative _____

1 moves to amend the bill on page 6, line 16,
2 by rewriting that line to read:

3
4 "subdivision, any member who is a law enforcement officer officer, career firefighter, or
5 career rescue squad worker at";

6
7 and on page 8, line 31,

8 by rewriting that line to read:

9 " years of creditable ~~service~~ service in that capacity."
10
11

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____

FAILED _____

TABLED _____

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 763 (First Edition)

SHORT TITLE: Fire and Rescue Workers' Retirement.

SPONSOR(S): Representative Culpepper

FUNDS AFFECTED: Local Funds

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System.

EFFECTIVE DATE: January 1, 2006

BILL SUMMARY: Changes the eligibility for retirement for firemen and rescue workers to 30 years at any age or age 55 with 5 years of service. Also requires local government employers to contribute 5% of workers' monthly pay to the Supplemental Retirement Plan [401(K)]. This will extend to full-time local firefighters and rescue squad workers supplemental retirement income benefits formerly provided solely to law enforcement officers.

ESTIMATED IMPACT: Local Governmental Employees' Retirement System

Retirement System Actuary: Mellon estimates the normal cost to increase by 0.44% of payroll from 4.80% to 5.24% of payroll for all firefighters and rescue squad workers in the Local Governmental Employees' Retirement System. They estimate the accrued liability to increase by \$32.5 million, which would require an additional annual accrued liability payment of \$2.8 million based on a 15-year amortization period.

<u>Retirement</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Normal Cost	\$0.9M	\$1.9M	\$2.0M	\$2.1M	\$2.2M
Accrued Liability	<u>\$1.4M</u>	<u>\$3.0M</u>	<u>\$3.2M</u>	<u>\$3.3M</u>	<u>\$3.5M</u>
Retirement Cost	\$2.3M	\$4.8M	\$5.1M	\$5.4M	\$5.7M

General Assembly Actuary: Hartman & Associates estimates the normal cost to increase by 0.63% of payroll from 4.80% to 5.43% and the accrued liability contribution to increase by 0.37% of payroll for a total increase of 1% of payroll for all firefighters and rescue squad workers in the Local Governmental Employees' Retirement System.

<u>Retirement</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Normal Cost	\$1.3M	\$2.6M	\$2.8M	\$3.0M	\$3.1M
Accrued Liability	<u>\$0.7M</u>	<u>\$1.6M</u>	<u>\$1.6M</u>	<u>\$1.7M</u>	<u>\$1.8M</u>
Retirement Cost	\$2.0M	\$4.2M	\$4.4M	\$4.7M	\$5.0M

There are available actuarial gains of 0.52% of total payroll of \$4.270 billion of all employees of the Local Governmental Employees' Retirement System. These gains are equal to \$22.2 million of local funds.

The required employer contributions to the 401(K) Plan will be 5% of salary. The estimated salary is \$397 million so 5% contributions would equal \$19.8 million annually for the 10,314 employees. Presently there are about 5,900 employees that their employers are making some contribution to the 401(K) Plan on behalf of the employee and about 4,400 that the employer is making no contribution to the 401(K) Plan. By taking the contributions that are presently being made, we estimate the additional cost to local employers as follows:

<u>401(K) Cost</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
5% of Salary	\$9.9M	\$21.1M	\$22.3M	\$23.6M	\$25.0M
Employer Contributions	<u>\$5.4M</u>	<u>\$11.3M</u>	<u>\$12.0M</u>	<u>\$12.7M</u>	<u>\$13.5M</u>
Net Cost	\$4.5M	\$ 9.7M	\$10.3M	\$10.9M	\$11.5M

The cost for the contributions to the Supplemental Retirement Plan [401(K) Plan] cannot be paid from actuarial gains within the Local System, so this will be a direct cost to each unit of local government that employs firemen or rescue squad workers.

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, 2003 actuarial valuation of the fund. The data included 119,755 active members with an annual payroll of \$3.9 billion and 34,861 retired members in receipt of annual pensions totaling \$487.5 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

TECHNICAL CONSIDERATIONS: In order to determine who is a fireman or rescue squad worker, the State Firemen's Association and the Association of Rescue Squad & EMT gave the Retirement Systems Division the social security numbers of all those that they considered a full-time paid unit. This enabled the Retirement Systems Division to identify 10,315 fulltime members of the Local Governmental Employees' Retirement System.

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.

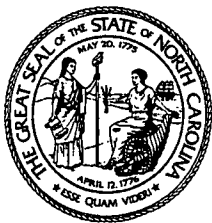
PREPARED BY: Stanley Moore

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

Official
Fiscal Research Division
Publication

DATE: April 4, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices



HOUSE BILL 763: Fire and Rescue Workers' Retirement

BILL ANALYSIS

Committee: House Pensions and Retirement
Introduced by: Rep. Culpepper
Version: First Edition

Date: April 19, 2005
Summary by: Karen Cochrane-Brown
Committee Counsel

SUMMARY: *House Bill 763 would amend the law to enhance the retirement benefits of career firefighters and career rescue squad workers who are members of the Local Governmental Employees' Retirement System to equal the benefits currently provided to law enforcement.*

CURRENT LAW:

Currently, local law enforcement officers are eligible to retire at age 50 with 15 years of service and receive a reduced retirement allowance, or at age 55 with 5 years of service on a full retirement allowance. In addition, local law enforcement officers receive a 5% employer paid contribution to the Supplemental Retirement Income Plan (401K).

Under current law, all non-law enforcement local employees may retire with full benefits at age 65 with 5 years, at age 60 with 25 years, or at any age with 30 years of creditable service. These employees may also retire on a reduced benefit at age 50 with 20 years of service.

BILL ANALYSIS:

This bill would amend the law to define the terms "Career firefighter" and "Career rescue squad worker" as a full-time paid employee of an employer that participates in the Local Governmental Employees' Retirement System and that maintains a certified fire department and a certified rescue squad or emergency medical services team. The employee must be actively serving as a firefighter or rescue squad worker.

The bill also amends the law to create a Supplemental Retirement Income Plan for full-time local career firefighters and rescue squad workers. The bill would require employers to make the same 5% contribution as is currently paid for law enforcement officers.

Finally, the bill would allow career firefighters and career rescue squad workers to retire with a reduced retirement allowance at age 50 with 15 years of service, and on a full retirement allowance at age 55 with five years of service.

EFFECTIVE DATE:

This bill would become effective January 1, 2006.

H0763e1-SMRO

Alt. 11

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

D

HOUSE BILL 763*

PROPOSED COMMITTEE SUBSTITUTE H763-PCS60404-RO-13

Short Title: Fire and Rescue Workers' Retirement.

(Public)

Sponsors:

Referred to:

March 17, 2005

A BILL TO BE ENTITLED

AN ACT TO ENHANCE THE BENEFITS FOR CAREER FIREFIGHTERS AND
CAREER RESCUE SQUAD WORKERS WHO ARE MEMBERS OF THE
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. Article 12E of Chapter 143 of the General Statutes reads as
rewritten:

"Article 12E.

"Retirement Benefits for Local Governmental Law-Enforcement ~~Officers~~ Officers and
Career Firefighters and Rescue Squad Workers.

**"§ 143-166.50. Retirement benefits for local governmental law-enforcement
officers, officers and career firefighters and rescue squad workers.**

(a) Definitions. – The following words and phrases as used in this Article, unless
a different meaning is plainly required by the context, have the following meaning:

(1) "Beneficiary" means any person in receipt of a retirement allowance or
other benefit from a Retirement System.

(1a) "Career firefighter" means a person (i): who is a full-time paid
employee of an employer that participates in the Local Governmental
Employees' Retirement System and maintains a fire department
certified by the North Carolina Department of Insurance, and (ii) who
is actively serving in a position with assigned primary duties and
responsibilities for the prevention, detection, and suppression of fire.

(1b) "Career rescue squad worker" means a person: (i) who is a full-time
paid employee of an employer that participates in the Local
Governmental Employees' Retirement System and maintains a rescue
squad or emergency medical services team certified by the North
Carolina Department of Insurance or the Department of Health and
Human Services, and (ii) who is actively serving in a position with

1 assigned primary duties and responsibilities for the alleviation of
2 human suffering and assistance to persons who are in difficulty, who
3 are injured, or who become suddenly ill, by providing proper and
4 efficient care or emergency medical services.

5 (2) "Employer" means a county, city, town or other political subdivision
6 of the State.

7 (3) "Law-enforcement officer" means a full-time paid employee of an
8 employer, who possesses the power of arrest, who has taken the law
9 enforcement oath administered under the authority of the State as
10 prescribed by G.S. 11-11, and who is certified as a law enforcement
11 officer under the provisions of Chapter 17C of the General Statutes or
12 certified as a deputy sheriff under the provisions of Chapter 17E of the
13 General Statutes. "Law enforcement officer" also means the sheriff of
14 the county. The number of paid personnel employed as law
15 enforcement officers by a law enforcement agency may not exceed the
16 number of law enforcement positions approved by the applicable local
17 governing board.

18 (4) "Law-Enforcement Officers' Retirement System" means the system
19 provided for under Article 12 of Chapter 143 of the General Statutes,
20 as it existed prior to January 1, 1986.

21 (5) "Local Governmental Employees' Retirement System" means the
22 Local Governmental Employees' Retirement System of North Carolina
23 provided for under Article 3 of Chapter 128 of the General Statutes.

24 (6) "Member" means an ~~officer~~officer, firefighter, or rescue squad worker
25 included in the membership of a retirement system, including former
26 ~~officers~~officers, firefighters, or rescue squad workers no longer
27 employed who also elected to leave their accumulated contributions on
28 deposit with a Retirement System.

29 (7) "Officer" means a "law-enforcement officer."

30 (8) "State" means the State of North Carolina.

31 (b) Basic Retirement System. – On and after January 1, 1986, law-enforcement
32 officers employed by an employer shall be members of the Local Government
33 Employees' Retirement System, and beneficiaries who were last employed as officers
34 by an employer, or who are surviving beneficiaries of officers last employed by an
35 employer, are beneficiaries of the Local Governmental Employees' Retirement System
36 and paid in benefit amounts then in effect. All members of the Law-Enforcement
37 Officers' Retirement System last employed and paid by an employer are members of the
38 Local Retirement System.

39 (c) Rights. – Notwithstanding any other provisions of law, any accrued or
40 inchoate rights of a member of the Law-Enforcement Officers' Retirement System as of
41 his transfer to the Local Governmental Employees' Retirement System on January 1,
42 1986, including the rights to a vested deferred retirement allowance and to commence
43 retirement at certain ages with required years of service as a law-enforcement officer,
44 may in no way be diminished; provided, however, in no event may a member

1 commence retirement and continue membership service with the same Retirement
2 System after January 1, 1986.

3 (d) Court Cost Receipts. – Of the sum derived from the cost of court provided for
4 in G.S. 7A-304(a)(3), the amount designated for this Article, except for the amount
5 designated for the provisions of G.S. 143-166.50(e), shall be paid over to the pension
6 accumulation fund of the Local Governmental Employees' Retirement System and shall
7 offset, to the extent of these receipts, the employers' normal contribution rate required in
8 G.S. 128-30(d)(2) as it pertains to law enforcement officers.

9 (e) Supplemental Retirement Income Plan for Local Governmental
10 Law-Enforcement Officers. – As of January 1, 1986, all law-enforcement officers
11 employed by a local government employer, are participating members of the
12 Supplemental Retirement Income Plan as provided by Article 5 of Chapter 135 of the
13 General Statutes. In addition to the contributions transferred from the Law-Enforcement
14 Officers' Retirement System, participants may make voluntary contributions to the
15 Supplemental Retirement Income Plan to be credited to the designated individual
16 accounts of participants; provided, in no instance shall the total contributions by a
17 participant exceed ten percent (10%) of a participant's compensation within any
18 calendar year. From July 1, 1987, until July 1, 1988, local government employers of law
19 enforcement officers shall contribute an amount equal to at least two percent (2%) of
20 participating local officers' monthly compensation to the Supplemental Retirement
21 Income Plan to be credited to the designated individual accounts of participating local
22 officers; and on and after July 1, 1988, local government employers of law enforcement
23 officers shall contribute an amount equal to five percent (5%) of participating local
24 officers' monthly compensation to the Supplemental Retirement Income Plan to be
25 credited to the designated individual accounts of participating local officers.

26 Additional contributions shall also be made to the individual accounts of all
27 participants in the Plan, except for Sheriffs, on a per capita equal-share basis from the
28 sum of one dollar and twenty-five cents (\$1.25) for each cost of court collected under
29 G.S. 7A-304.

30 (e1) Rights of Participants under the Uniformed Services Employment and
31 Reemployment Rights Act. – A participant whose employment is interrupted by reason
32 of service in the Uniformed Services, as that term is defined in section 4303(16) of the
33 Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353,
34 hereafter referred to as "USERRA", shall be entitled to all rights and benefits that the
35 participant would have been entitled to under this section had the participant's
36 employment not been interrupted, provided that the participant returns to service as a
37 law enforcement officer while the participant's reemployment rights are protected under
38 the provisions of USERRA.

39 (f) Supplemental Retirement Income Plan for Full-Time Local Career
40 Firefighters and Rescue Squad Workers. – As of January 1, 2006, all career firefighters
41 and career rescue squad workers employed by a local government employer are
42 participating members of the Supplemental Retirement Income Plan as provided by
43 Article 5 of Chapter 135 of the General Statutes. Participants may make voluntary
44 contributions to the Supplemental Retirement Income Plan to be credited to the

1 designated individual accounts of participants; however, in no instance shall the total
2 contributions by a participant exceed ten percent (10%) of a participant's compensation
3 within any calendar year. On and after January 1, 2006, local government employers of
4 career firefighters or career rescue squad workers shall contribute an amount equal to
5 five percent (5%) of participating firefighters' or rescue squad workers' monthly
6 compensation to the Supplemental Retirement Income Plan to be credited to the
7 designated individual accounts of participating firefighters or rescue squad workers."

8 **SECTION 2.** G.S. 128-21 is amended by adding two new subdivisions to
9 read:

10 "(7b) "Career firefighter" means a person: (i) who is a full-time paid
11 employee of an employer that participates in the Local Governmental
12 Employees' Retirement System and maintains a fire department
13 certified by the North Carolina Department of Insurance, and (ii) who
14 is actively serving in a position with assigned primary duties and
15 responsibilities for the prevention, detection, and suppression of fire.

16 (7c) "Career rescue squad worker" means a person: (i) who is a full-time
17 paid employee of an employer that participates in the Local
18 Governmental Employees' Retirement System and maintains a rescue
19 squad or emergency medical services team certified by the North
20 Carolina Department of Insurance or the Department of Health and
21 Human Services, and (ii) who is actively serving in a position with
22 assigned primary duties and responsibilities for the alleviation of
23 human suffering and assistance to persons who are in difficulty, who
24 are injured, or who become suddenly ill, by providing proper and
25 efficient care or emergency medical services."

26 **SECTION 3.** G.S. 128-24(5) reads as rewritten:

27 "(5) The provisions of this subdivision (5) shall apply to any member
28 whose membership is terminated on or after July 1, 1965, and who
29 becomes entitled to benefits hereunder in accordance with the
30 provisions hereof.

31 a. Notwithstanding any other provision of this Chapter, any
32 member who separates from service prior to the attainment of
33 the age of 60 years for any reason other than death or retirement
34 for disability as provided in G.S. 128-27(c), after completing 15
35 or more years of creditable service, and who leaves his total
36 accumulated contributions in said System shall have the right to
37 retire on a deferred retirement allowance upon attaining the age
38 of 60 years; provided that such member may retire only upon
39 written application to the Board of Trustees setting forth at what
40 time, not less than one day nor more than 90 days subsequent to
41 the execution and filing thereof, he desires to be retired; and
42 further provided that in the case of a member who so separates
43 from service on or after July 1, 1967, the aforesated
44 requirement of 15 or more years of creditable service shall be

1 reduced to 12 or more years of creditable service; and further
2 provided that in the case of a member who so separates from
3 service on or after July 1, 1971, or whose account is active on
4 July 1, 1971, the aforesated requirement of 12 or more years of
5 creditable service shall be reduced to five or more years of
6 creditable service. Such deferred retirement allowance shall be
7 computed in accordance with the service retirement provisions
8 of this Article pertaining to a member who is not a law
9 enforcement officer or eligible former law enforcement officer.

- 10 b. In lieu of the benefits provided in paragraph a of this
11 subdivision, any member who separates from service prior to
12 the attainment of the age of 60 years, for any reason other than
13 death or retirement for disability as provided in G.S. 128-27(c),
14 after completing 20 or more years of creditable service, and
15 who leaves his total accumulated contributions in said System
16 may elect to retire on an early retirement allowance upon
17 attaining the age of 50 years or at any time thereafter; provided
18 that such member may so retire only upon written application to
19 the Board of Trustees setting forth at what time, not less than
20 one day nor more than 90 days subsequent to the execution and
21 filing thereof, he desires to be retired. Such early retirement
22 allowance so elected shall be equal to the deferred retirement
23 allowance otherwise payable at the attainment of the age of 60
24 years reduced by the percentage thereof indicated below.

26 Age at	26 Percentage
27 Retirement	27 Reduction
28 59	28 7
29 58	29 14
30 57	30 20
31 56	31 25
32 55	32 30
33 54	33 35
34 53	34 39
35 52	35 43
36 51	36 46
37 50	37 50

- 38
39 b1. In lieu of the benefits provided in paragraphs a and b of this
40 subdivision, any member who is a law enforcement officer
41 officer, career firefighter, or career rescue squad worker at the
42 time of separation from service prior to the attainment of the
43 age of 50 years, for any reason other than death or disability as
44 provided in this Article, after completing 15 or more years of

1 creditable service in this capacity immediately prior to
2 separation from service, and who leaves his total accumulated
3 contributions in this System, may elect to retire on a deferred
4 early retirement allowance upon attaining the age of 50 years or
5 at any time thereafter; provided, that the member may
6 commence retirement only upon written application to the
7 Board of Trustees setting forth at what time, as of the first day
8 of a calendar month, not less than one day nor more than 90
9 days subsequent to the execution and filing thereof, he desires
10 to commence retirement. The deferred early retirement
11 allowance shall be computed in accordance with the service
12 retirement provisions of this Article pertaining to law
13 enforcement ~~officers~~officers, career firefighters, or career
14 rescue squad workers.

15 b2. In lieu of the benefits provided in paragraphs a and b of this
16 subdivision, any member who is a law enforcement ~~officer~~
17 officer, career firefighter, or career rescue squad worker at the
18 time of separation from service prior to the attainment of the
19 age of 55 years, for any reason other than death or disability as
20 provided in this Article, after completing five or more years of
21 creditable service in this capacity immediately prior to
22 separation from service, and who leaves his total accumulated
23 contributions in this System may elect to retire on a deferred
24 service retirement allowance upon attaining the age of 55 years
25 or at any time thereafter; provided, that the member may
26 commence retirement only upon written application to the
27 Board of Trustees setting forth at what time, as of the first day
28 of a calendar month not less than one day nor more than 90
29 days subsequent to the execution and filing thereof, he desires
30 to commence retirement. The deferred service retirement
31 allowance shall be computed in accordance with the service
32 retirement provisions of this Article pertaining to law
33 enforcement ~~officers~~officers, career firefighters, or career
34 rescue squad workers.

35 b3. Deferred retirement allowance of members retiring on or after
36 July 1, 1995. – In lieu of the benefits provided in paragraphs a.
37 and b. of this subdivision, any member who separates from
38 service prior to attainment of age 60 years, after completing 20
39 or more years of creditable service, and who leaves his total
40 accumulated contributions in said System, may elect to retire on
41 a deferred retirement allowance upon attaining the age of 50
42 years or any time thereafter; provided that such member may so
43 retire only upon written application to the Board of Trustees
44 setting forth at what time, not less than one day nor more than

1 90 days subsequent to the execution and filing thereof, he
2 desires to be retired. Such deferred retirement allowance shall
3 be computed in accordance with the service retirement
4 provisions of this Article pertaining to a member who is not a
5 law enforcement ~~officer or officer~~, an eligible former law
6 enforcement ~~officer~~, officer, a career firefighter, an eligible
7 former career firefighter, a career rescue squad worker, or an
8 eligible former career rescue squad worker.

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

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

37 Upon his subsequent retirement, he shall be paid a
38 retirement allowance determined as follows:

- 39 1. For a member who earns at least three years' membership
40 service after restoration to service, the retirement
41 allowance shall be computed on the basis of his
42 compensation and service before and after the period of
43 prior retirement without restriction; provided, that if the
44 prior allowance was based on a social security leveling

1 payment option, the allowance shall be adjusted
2 actuarially for the difference between the amount
3 received under the optional payment and what would
4 have been paid if the retirement allowance had been paid
5 without optional modification.

- 6 2. For a member who does not earn three years'
7 membership service after restoration to service, the
8 retirement allowance shall be equal to the sum of the
9 retirement allowance to which he would have been
10 entitled had he not been restored to service, without
11 modification of the election of an optional allowance
12 previously made, and the retirement allowance that
13 results from service earned since being restored to
14 service; provided, that if the prior retirement allowance
15 was based on a social security leveling payment option,
16 the prior allowance shall be adjusted actuarially for the
17 difference between the amount that would have been
18 paid for each month had the payment not been suspended
19 and what would have been paid if the retirement
20 allowance had been paid without optional modification."

21 **SECTION 4. G.S. 128-27(a) reads as rewritten:**

22 "(a) Service Retirement Benefits. –

- 23 (1) Any member may retire upon written application to the Board of
24 Trustees setting forth at what time, as of the first day of a calendar
25 month, not less than one day nor more than 90 days subsequent to the
26 execution and filing thereof, he desires to be retired: Provided, that the
27 said member at the time so specified for his retirement shall have
28 attained the age of 60 years and have at least five years of creditable
29 service or shall have completed 30 years of creditable service, or if a
30 fireman, ~~he~~ career firefighter or career rescue squad worker, the
31 member shall have attained the age of 55 years and have at least five
32 years of creditable ~~service~~ service in that capacity.
- 33 (2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.
- 34 (3) Repealed by Session Laws 1971, c. 325, s. 12.
- 35 (4) Any member who was in service October 8, 1981, who had attained 60
36 years of age, may retire upon written application to the Board of
37 Trustees setting forth at what time, as of the first day of a calendar
38 month, not less than one day nor more than 90 days subsequent to the
39 execution and filing thereof, he desires to be retired.
- 40 (5) Any member who is a law enforcement officer, career firefighter, or
41 career rescue squad worker and who attains age 50 and completes 15
42 or more years of creditable service in this capacity or who attains age
43 55 and completes five or more years of creditable service in this
44 capacity, may retire upon written application to the Board of Trustees

1 setting forth at what time, as of the first day of a calendar month, not
2 less than one day nor more than 90 days subsequent to the execution
3 and filing thereof, ~~he~~ the member desires to be retired; provided, also,
4 any member who has met the conditions required by this subdivision
5 but does not retire, and later becomes an employee other than as a law
6 enforcement officer, career firefighter, or career rescue squad worker
7 continues to have the right to commence retirement."

8 **SECTION 5.** G.S. 128-27(b21) reads as rewritten:

9 "(b21) Service Retirement Allowance of Member Retiring on or After July 1, 2003-
10 2003, but Before January 1, 2006. – Upon retirement from service in accordance with
11 subsection (a) or (a1) above, on or after July 1, 2003, but before January 1, 2006, a
12 member shall receive the following service retirement allowance:

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

16 a. If the member's service retirement date occurs on or after his
17 55th birthday and completion of five years of creditable service
18 as a law enforcement officer, or after the completion of 30 years
19 of creditable service, the allowance shall be equal to one and
20 eighty-five hundredths percent (1.85%) of his average final
21 compensation, multiplied by the number of years of his
22 creditable service.

23 b. If the member's service retirement date occurs on or after his
24 50th birthday and before his 55th birthday with 15 or more
25 years of creditable service as a law enforcement officer and
26 prior to the completion of 30 years of creditable service, his
27 retirement allowance shall be equal to the greater of:

28 1. The service retirement allowance payable under
29 G.S. 128-27(b21)(1)a. reduced by one-third of one
30 percent (1/3 of 1%) thereof for each month by which his
31 retirement date precedes the first day of the month
32 coincident with or next following the month the member
33 would have attained his 55th birthday;

34 2. The service retirement allowance as computed under
35 G.S. 128-27(b21)(1)a. reduced by five percent (5%)
36 times the difference between 30 years and his creditable
37 service at retirement.

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

41 a. If the member's service retirement date occurs on or after his
42 65th birthday upon the completion of five years of creditable
43 service or after the completion of 30 years of creditable service
44 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 6. G.S. 128-27 is amended by adding a new subsection to read:

"(b22) Service Retirement Allowance of Member Retiring on or After January 1, 2006. – Upon retirement from service in accordance with subsection (a) or (a1) of this section, on or after January 1, 2006, a member shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer, an eligible former law enforcement officer, a career firefighter, an eligible former career firefighter, a career rescue squad worker, or an eligible former career rescue squad worker 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, career firefighter, or a career rescue squad worker, 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, career firefighter, or career rescue squad worker 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(b22)(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(b22)(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, an eligible former law enforcement officer, a career firefighter, an eligible former career firefighter, a career rescue squad worker, or an eligible former career rescue squad worker 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

1 completion of 25 years or more of creditable service, his
2 retirement allowance shall be computed as in
3 G.S. 128-27(b22)(2)a. but shall be reduced by one-quarter of
4 one percent (1/4 of 1%) thereof for each month by which his
5 retirement date precedes the first day of the month coincident
6 with or next following his 65th birthday.

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

12 1. The service retirement allowance as computed under
13 G.S. 128-27(b22)(2)a. but reduced by the sum of
14 five-twelfths of one percent (5/12 of 1%) thereof for
15 each month by which his retirement date precedes the
16 first day of the month coincident with or next following
17 the month the member would have attained his 60th
18 birthday, plus one-quarter of one percent (1/4 of 1%)
19 thereof for each month by which his 60th birthday
20 precedes the first day of the month coincident with or
21 next following his 65th birthday; or

22 2. The service retirement allowance as computed under
23 G.S. 128-27(b22)(2)a. reduced by five percent (5%)
24 times the difference between 30 years and his creditable
25 service at retirement; or

26 3. If the member's creditable service commenced prior to
27 July 1, 1995, the service retirement allowance equal to
28 the actuarial equivalent of the allowance payable at the
29 age of 60 years as computed in G.S. 128-27(b22)(2)b.

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

33 **SECTION 7. G.S. 128-27(m) reads as rewritten:**

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

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

43 b. The member had obtained 20 years of creditable service in
44 which case the retirement allowance shall be computed in

1 accordance with G.S. 128-27(b21)(1)b. ——— or
2 G.S. 128-27(b21)(2)e., G.S. 128-27(b22)(1)b. or
3 G.S. 128-27(b22)(2)c., notwithstanding the requirement of
4 obtaining age 50, or

5 c. The member had not commenced to receive a retirement
6 allowance as provided under this Chapter.

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

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

12 For the purpose of this benefit, a member is considered to be in service at the date of
13 his death if his death occurs within 180 days from the last day of his actual service. The
14 last day of actual service shall be determined as provided in subsection (1) of this
15 section. Upon the death of a member in service, the surviving spouse may make all
16 purchases for creditable service as provided for under this Chapter for which the
17 member had made application in writing prior to the date of death, provided that the
18 date of death occurred prior to or within 60 days after notification of the cost to make
19 the purchase."

20 **SECTION 8.** This act becomes effective January 1, 2006, but shall not affect
21 the rights of a person who is a vested member of the Local Governmental Employees'
22 Retirement System on that date to any disability benefits for which that person is
23 otherwise eligible on that date.

2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

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

By Representatives **Bell and Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for

H.B. 763 A BILL TO BE ENTITLED AN ACT TO ENHANCE THE BENEFITS FOR CAREER FIREFIGHTERS AND CAREER RESCUE SQUAD WORKERS WHO ARE 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).

☐ 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)

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
May 4, 2005

The House Committee on Pensions and Retirement met at 10:00 a.m. on Wednesday, May 4, 2005 in Room 544 of the Legislative Office Building. The following ***Representatives*** were present: ***Chairs: Bell, and Wilson;*** ***Members: Coleman, Earle, Folwell, Ross, and Tolson.***

Fiscal Research - Stanley Moore; Research staff persons included: ***Attorney*** – Karen Cochrane-Brown; ***Legislative Analyst*** – Theresa Matula; ***Legislative Committee Assistants*** - Carolyn Edwards and Rebecca Jones-Cooper. The Agenda, Pages/Sergeant at Arms and Visitor Registration Sheets are attached and incorporated into the minutes.

Chairman Bell asked Chairman Wilson to take charge while he present **HB 710 – A BILL TO BE ENTITLED AN ACT TO MAKE TECHNICAL CORRECTIONS TO THE LAW GOVERNING THE TEACHERS’ AND STATE EMPLOYEES’ RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES’ RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE FIREMEN’S AND RESCUE SQUAD WORKERS’ PENSION FUND.**

Representative Bell introduces HB 710, a technical correction bill. Before he further explains the bill he sends forth two amendments. He moves to amend the bill on page 1, line 11 by deleting the term G.S. 153-10 and substituting the term GS145-10.1. ***Chairman Wilson*** calls for a motion to accept the amendment and the motion carries. The second amendment deals with a person who is on workers compensation in section 6.1. G.S. 135-106(a). ***Stanley Moore*** further explains the amendment. (Attachment 2, 3)

Chairman Wilson calls for a motion to incorporate the amendment into the bill upon the request of Representative Bell. The motion carries.

Michael Williamson, Director of Retirement Systems states that the bill consists of a few technical changes that have minimal impact on individuals. For example some of the changes include: sick leave conversion, remarriage, contingent beneficiary adjustments, guaranteed refund to the judicial system and the removal of automatic termination of membership for firemen and rescue squad workers.

Representative Tolson supports the bill and indicates that all changes are positive to all those affected by the bill. He motions to give HB 710 a favorable report to the committee substitute bill, unfavorable to the original bill. The motion carries.

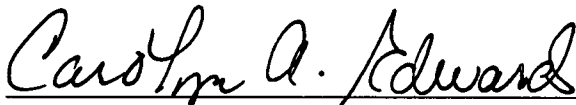
Chairman Bell called **Representative Tucker** to speak on **HB 1237 – A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR FOUR ADDITIONAL MEMBERS OF THE BOARD OF TRUSTEES OF THE LOCAL GOVERNMENTAL EMPLOYEES’ RETIREMENT SYSTEM.**

Representative Coleman motioned to have the Proposed Committee Substitute H1237-CSSH-22 [v.1] before the committee. A verbal vote was taken and the motion carried.

Representative Tucker states that the bill changes the membership of the local governmental employees retirement system board of trustees. It reduces the size of the board indicated in the title by removing seven members who are teachers or State employees and adding the following four members: a county manager, a city or town manager, an active local government employee, and a retired local government employee.

Representative Ross moves to give HB 1237 a favorable repost to the committee substitute bill, which changes the title, and unfavorable to the original bill. The motion carries and the meeting is adjourned.

Respectfully submitted,



Carolyn A. Edwards
Committee Assistant

Representative Larry M. Bell
Presiding Chair

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

**May 4, 2005
10:00 P.M.
Room 544 LOB**

CHAIRS

Representative Larry Bell

Representative Eugene Wilson

CALL TO ORDER

Rep. Bell

OPENING REMARKS

BILLS TO BE CONSIDERED:

HB 710 - RETIREMENT SYSTEMS TECHNICAL CORRECTIONS - Rep. Bell

HB 1237 - CHANGE LOCAL GOVERNMENTAL RETIREMENT BOARD - Rep. Tucker

ADJOURNMENT

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2005-2006 SESSION**

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

DAY & DATE: **Wednesday, May 4, 2005**

TIME: **10:00 AM**

LOCATION: **LOB 544**

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

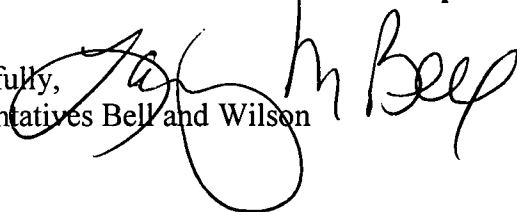
HB 710 – RETIREMENT SYSTEMS TECHNICAL CORRECTIONS – Rep. Bell

HB 853 – RECIPROCITY/OPTIONAL RETIREMENT SYSTEM – Rep. Insko

HB 934 – NC NATIONAL GUARD PENSION CHANGES – Rep. McLawhorn

HB 1237 – CHANGE LOCAL GOVERNMENTAL RETIREMENT BOARD – Rep. Tucker

Respectfully,
Representatives Bell and Wilson
Chairs



I hereby certify this notice was filed by the committee assistant at the following offices at 1:00 P. M. on **Thursday, April 28, 2005**.

____Principal Clerk
____Reading Clerk - House Chamber

Carolyn A. Edwards (Committee Assistant)

House Committee on Pensions and Retirement
PAGES INFORMATION SHEET
May 4, 2005

<u>NAME</u>	<u>COUNTY</u>	<u>REPRESENTATIVE</u>
1. Kimberly Rumley	Wake	Dollar
2. Cameron Harwick	Rowan	Coates

SERGEANT AT ARMS

- 1. Brad Barefoot**
- 2. Jay Callaway**
- 3. Leslie Oakley**
- 4. Charles Williams**

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

MAY 4, 2005

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Kari Barsness	OSBM
BILL STOCKARD	OSBM
Ed Regan	NCRGEA
Finia Dwyer	SBE/DPI
John Miller	John Miller Lobby
Lorin Mueller	NC Coalition of Police
Jop Perry-Hill	NC Department of Instruction
Maras Duns	NCAE
Aedis Watkin	NCAE
Suzanne Beasley	NCAE
Paul Meyer	NCALL
Katherine Joyce	NCASA
John C. Draper	FFIC

MAY 4, 2005

Date**FIRM OR AGENCY AND ADDRESS**

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

1

HOUSE BILL 710

Short Title: Retirement Systems Technical Corrections.-AB

(Public)

Sponsors: Representatives Bell; and Wainwright.

Referred to: Pensions and Retirement.

March 17, 2005

A BILL TO BE ENTITLED

AN ACT TO MAKE TECHNICAL CORRECTIONS TO THE LAW GOVERNING
THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, THE
CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE FIREMEN'S
AND RESCUE SQUAD WORKERS' PENSION FUND.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-4(e) reads as rewritten:

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

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

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

1 service in this System by the amount of creditable service lost when his account was
2 closed.

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

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

22 **SECTION 2.** G.S. 135-5(g) reads as rewritten:

23 "(g) Election of Optional Allowance. – With the provision that until the first
24 payment on account of any benefit becomes normally due, or his first retirement check
25 has been cashed, any member may elect to receive his benefits in a retirement allowance
26 payable throughout life, or he may elect to receive the actuarial equivalent of such
27 retirement allowance in a reduced allowance payable throughout life under the
28 provisions of one of the options set forth below. The election of Option 2 or Option 3 or
29 nomination of the person thereunder shall be revoked if such person nominated dies
30 prior to the date the first payment becomes normally due or until the first retirement
31 check has been cashed. Such election may be revoked by the member prior to the date
32 the first payment becomes normally due or until his first retirement check has been
33 cashed. Provided, however, in the event a member has elected Option 2 or Option 3 and
34 nominated his or her spouse to receive a retirement allowance upon the member's death,
35 and the spouse predeceases the member after the first payment becomes normally due or
36 the first retirement check has been cashed, if the member remarries he or she may
37 request to nominate a new spouse to receive the retirement allowance under the
38 previously elected option, within 90 days of the ~~remarriage~~, remarriage, and may
39 nominate a new spouse to receive the retirement allowance under the previously elected
40 option by written designation duly acknowledged and filed with the Board of Trustees
41 within 120 days of the remarriage. The new nomination shall be effective on the first
42 day of the month in which it is made and shall provide for a retirement allowance
43 computed to be the actuarial equivalent of the retirement allowance in effect
44 immediately prior to the effective date of the new nomination. Any member having

1 elected Options 2, 3, or 6 and nominated his or her spouse to receive a retirement
2 allowance upon the member's death may, after divorce from his or her spouse, revoke
3 the nomination and elect a new option, effective on the first day of the month in which
4 the new option is elected, providing for a retirement allowance computed to be the
5 actuarial equivalent of the retirement allowance in effect immediately prior to the
6 effective date of the new option.

7 Option 1.(a) In the Case of a Member Who Retires prior to July 1, 1963. – If he
8 dies before he has received in annuity payments the present value of
9 his annuity as it was at the time of his retirement, the balance shall be
10 paid to his legal representatives or to such person as he shall nominate
11 by written designation duly acknowledged and filed with the Board of
12 Trustees.

13 (b) In the Case of a Member Who Retires on or after July 1, 1963, but
14 prior to July 1, 1993. – If he dies within 10 years from his retirement
15 date, an amount equal to his accumulated contributions at retirement,
16 less 1/120 thereof for each month for which he has received a
17 retirement allowance payment, shall be paid to his legal
18 representatives or to such person as he shall nominate by written
19 designation duly acknowledged and filed with the Board of Trustees;
20 or

21 Option 2. Upon his death his reduced retirement allowance shall be continued
22 throughout the life of and paid to such person as he shall nominate by written
23 designation duly acknowledged and filed with the Board of Trustees at the time of his
24 retirement, provided that if the person selected is other than his spouse the reduced
25 retirement allowance payable to the member shall not be less than one half of the
26 retirement allowance without optional modification which would otherwise be payable
27 to him; or

28 Option 3. Upon his death, one half of his reduced retirement allowance shall be
29 continued throughout the life of, and paid to such person as he shall nominate by written
30 designation duly acknowledged and filed with the Board of Trustees at the time of his
31 retirement; or

32 Option 4. Adjustment of Retirement Allowance for Social Security Benefits. – Until
33 the first payment on account of any benefit becomes normally due, any member may
34 elect to convert his benefit otherwise payable on his account after retirement into a
35 retirement allowance of equivalent actuarial value of such amount that with his benefit
36 under Title II of the Federal Social Security Act, he will receive, so far as possible,
37 approximately the same amount per year before and after the earliest age at which he
38 becomes eligible, upon application therefor, to receive a social security benefit.

39 Option 5. For Members Retiring Prior to July 1, 1993. – The member may elect to
40 receive a reduced retirement allowance under the conditions of Option 2 or Option 3, as
41 provided for above, with the modification that if both he and the person nominated die
42 within 10 years from his retirement date, an amount equal to his accumulated
43 contributions at retirement, less 1/120 thereof for each month for which a retirement
44 allowance has been paid, shall be paid to his legal representatives or to such person as

he shall nominate by written designation duly acknowledged and filed with the Board of Trustees.

Option 6. A member may elect either Option 2 or Option 3 with the added provision that in the event the designated beneficiary predeceases the member, the retirement allowance payable to the member after the designated beneficiary's death shall be equal to the retirement allowance which would have been payable had the member not elected the option."

SECTION 3. 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 that a retirement allowance becomes payable to the principal beneficiary designated to receive a return of accumulated contributions pursuant to subsection (m) of this section and that beneficiary dies before the total of the retirement allowances paid equals the amount of the accumulated contributions of the member at the date of the member's death, the excess of those accumulated contributions over the total of the retirement allowances paid to the beneficiary shall be paid in a lump sum to the person or persons the member has designated as the contingent beneficiary for return of accumulated contributions, if the person or persons are living at the time the payment falls due, otherwise to the principal beneficiary'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.

1 In the event that a retirement allowance becomes payable to the designated survivor
2 of a retired member under the provisions above and such retirement allowance to the
3 survivor shall terminate upon the death of the survivor before the total of the increase in
4 the retirement allowance attributable to the additional creditable service paid to the
5 retiree and the designated survivor combined equals the cost of the creditable service
6 purchased less the administrative fee, the excess, if any, shall be paid in a lump sum to
7 such person or persons as the retiree shall have nominated by written designation duly
8 acknowledged and filed with the Board of Trustees, if such person or persons are living
9 at the time such payment falls due, otherwise to the retiree's legal representative."

10 SECTION 4. Article 1 of Chapter 135 is amended by adding a new section
11 to read:

12 "§ 135-10.1. Failure to respond.

13 If a member fails to respond in any way within 90 days after preliminary option
14 figures and Form 6-E, Election of Benefits, are mailed, the Form 6, Application for
15 Service, Early or Disability Retirement, shall be null and void; the retirement system
16 shall not be liable for any benefits due on account of the voided application, and a new
17 application must be filed establishing a subsequent effective date of retirement. If an
18 applicant for disability retirement fails to furnish requested additional medical
19 information within 90 days following such request, the application shall be declared null
20 and void under the same conditions outlined above, unless the applicant is eligible for
21 early or service retirement in which case the application shall be processed accordingly,
22 using the same effective date as would have been used had the application for disability
23 retirement been approved."

24 SECTION 5. G.S. 135-64(c) reads as rewritten:

25 "(c) In the event of the death of a former member while in receipt of a retirement
26 allowance under the provisions of G.S. 135-58 or 135-60 (but not 135-61), G.S. 135-58,
27 135-60, or 135-61, if such former member is not survived by a spouse to whom a
28 retirement allowance is payable under the provisions of subsection (a) or subsection (b)
29 above, nor survived by a beneficiary to whom a monthly survivorship benefit is payable
30 under one of the optional modes of payment under G.S. 135-61, there shall be paid to
31 such person as the member shall have nominated by written designation duly
32 acknowledged and filed with the Board of Trustees, if such person is living at the time
33 of the member's death, otherwise to the member's legal representatives, a death benefit
34 equal to the excess, if any, of the accumulated contributions of the member at his date of
35 retirement over the total of the retirement allowances paid to him prior to his death."

36 SECTION 6. G.S. 135-64(d) reads as rewritten:

37 "(d) In the event that a retirement allowance becomes payable to the spouse of a
38 former member under the provisions of subsection (a) or subsection (b) above, provided
39 that the member's retirement allowance had not been paid or to the designated survivor
40 of a former member under one of the optional modes of payment under G.S. 135-61,
41 and such retirement allowance to the spouse shall terminate on the remarriage or death
42 of the ~~spouse~~ spouse, or on the death of the designated survivor, before the total of the
43 retirement allowances paid to the former member and his spouse or designated survivor
44 combined equals the amount of the member's accumulated contributions at his date of

1 retirement, the excess of such accumulated contributions over the total of the retirement
2 allowances paid to the former member and his spouse or designated survivor combined
3 shall be paid in a lump sum to such person as the member shall have nominated by
4 written designation duly acknowledged and filed with the Board of Trustees, if such
5 person is living at the time such payment falls due, otherwise to the former member's
6 legal representatives."

7 **SECTION 7.** G.S. 135-111 reads as rewritten:

8 **"§ 135-111. Applicability of other pension laws.**

9 Subject to the provisions of this Article, the provisions of G.S. 135-9, entitled
10 "Exemption from taxes, garnishment, attachment, etc."; G.S. 135-10, entitled
11 "Protection against fraud"; G.S. 135-10, entitled "Failure to Respond"; and G.S. 135-17,
12 entitled "Facility of payment" shall be applicable to this Article and to benefits paid
13 pursuant to the provisions of this Article."

14 **SECTION 8.** G.S. 128-26(e) reads as rewritten:

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

23 On and after July 1, 1971, a member whose account was closed on account of
24 absence from service under the provisions of G.S. 128-24(1a) and who subsequently
25 returns to service for a period of five years, may thereafter repay the amount withdrawn
26 plus regular interest thereon from the date of withdrawal through the year of repayment
27 and thereby increase his creditable service by the amount of creditable service lost when
28 this account was closed.

29 On and after July 1, 1973, a member whose account in the Teachers' and State
30 Employees' Retirement System was closed on account of absence from service under
31 the provisions of G.S. 135-3(3) and who subsequently became or becomes a member of
32 this System with credit for five years of service, may thereafter repay in a lump sum the
33 amount withdrawn from the Teachers' and State Employees' Retirement System plus
34 regular interest thereon from the date of withdrawal through the year of repayment and
35 thereby increase his creditable service in this System by the amount of creditable
36 service lost when his account was closed.

37 Notwithstanding any other provision of this Chapter, any member who entered
38 service or was restored to service prior to July 1, 1982, and was excluded from
39 membership service solely on account of having attained the age of 62 years, in
40 accordance with former G.S. 128-24(3a), may purchase membership service credits for
41 such excluded service by making a lump-sum payment equal to the contributions that
42 would have been deducted pursuant to G.S. 128-30(b) had he been a member of the
43 Retirement System, increased by interest calculated at a rate of seven percent (7%) per
44 annum. Creditable service for unused sick leave shall be allowed only for sick leave

1 accrued monthly during employment under a duly adopted sick leave policy and for
2 which the member may be able to take credits and be paid for sick leave without
3 restriction.

4 On and after January 1, 1986, the creditable service of a member who was a member
5 of the Law Enforcement Officers' Retirement System at the time of the transfer of law
6 enforcement officers employed by participating employers from that System to this
7 Retirement System and whose accumulated contributions are transferred from that
8 System to this Retirement System, includes service that was creditable in the Law
9 Enforcement Officers' Retirement System; and membership service with that System is
10 membership service with this Retirement System; provided, notwithstanding any
11 provisions of this Article to the contrary, any inchoate or accrued rights of such a
12 member to purchase creditable service for military service, withdrawn service and prior
13 service under the rules and regulations of the Law Enforcement Officers' Retirement
14 System may not be diminished and may be purchased as creditable service with this
15 Retirement System under the same conditions that would have otherwise applied."

16 SECTION 9. G.S. 128-27(g) reads as rewritten:

17 "(g) Election of Optional Allowance. – With the provision that until the first
18 payment on account of any benefit becomes normally due, or his first retirement check
19 has been cashed, any member may elect to receive his benefits in a retirement allowance
20 payable throughout life, or he may elect to receive the actuarial equivalent of such
21 retirement allowance in a reduced allowance payable throughout life under the
22 provisions of one of the Options set forth below. The election of Option two or Option
23 three or nomination of the person thereunder shall be revoked if such person nominated
24 dies prior to the date the first payment becomes normally due or the first retirement
25 check has been cashed. Such election may be revoked by the member prior to the date
26 the first payment becomes normally due or his first retirement check has been cashed.
27 Provided, however, in the event a member has elected Option 2 or Option 3 and
28 nominated his or her spouse to receive a retirement allowance upon the member's death,
29 and the spouse predeceases the member after the first payment becomes normally due or
30 the first retirement check has been cashed, if the member remarries he or she may
31 request to nominate a new spouse to receive the retirement allowance under the
32 previously elected option, within 90 days of the remarriage. remarriage, and may
33 nominate a new spouse to receive the retirement allowance under the previously elected
34 option by written designation duly acknowledged and filed with the Board of Trustees
35 within 120 days of the remarriage. The new nomination shall be effective on the first day
36 of the month in which it is made and shall provide for a retirement allowance computed
37 to be the actuarial equivalent of the retirement allowance in effect immediately prior to
38 the effective date of the new nomination. Any member having elected Options two,
39 three, or six and nominated his or her spouse to receive a retirement allowance upon the
40 member's death may, after divorce from his or her spouse, revoke the nomination and
41 elect a new option, effective on the first day of the month in which the new option is
42 elected, providing for a retirement allowance computed to be the actuarial equivalent of
43 the retirement allowance in effect immediately prior to the effective date of the new
44 option.

1 Option one.

2 (a) In the Case of a Member Who Retires prior to July 1, 1965. – If he
3 dies before he has received in annuity payments the present value of
4 his annuity as it was at the time of his retirement, the balance shall be
5 paid to such person as he shall nominate by written designation duly
6 acknowledged and filed with the Board of Trustees or, if none, to his
7 legal representative.

8 (b) In the Case of a Member Who Retires on or after July 1, 1965, but
9 prior to July 1, 1993. – If he dies within 10 years from his retirement
10 date, an amount equal to his accumulated contributions at retirement,
11 less one one-hundred-twentieth thereof for each month for which he
12 has received a retirement allowance payment, shall be paid to such
13 person as he shall nominate by written designation duly acknowledged
14 and filed with the Board of Trustees or, if none, to his legal
15 representative; or

16 Option two. Upon his death his reduced retirement allowance shall be continued
17 throughout the life of and paid to such person as he shall nominate by written
18 designation duly acknowledged and filed with the Board of Trustees at the time of his
19 retirement, provided that if the person selected is other than his spouse the reduced
20 retirement allowance payable to the member shall not be less than one half of the
21 retirement allowance without optional modification which would otherwise be payable
22 to him; or

23 Option three. Upon his death, one half of his reduced retirement allowance shall be
24 continued throughout the life of, and paid to such person as he shall nominate by written
25 designation duly acknowledged and filed with the Board of Trustees at the time of his
26 retirement; or

27 Option four. Adjustment of Retirement Allowance for Social Security Benefits. –
28 Until the first payment on account of any benefit becomes normally due, any member
29 may elect to convert his benefit otherwise payable on his account after retirement into a
30 retirement allowance of equivalent actuarial value of such amount that with his benefit
31 under Table II of the Federal Social Security Act, he will receive, so far as possible,
32 approximately the same amount per year before and after the earliest age at which he
33 becomes eligible, upon application therefor, to receive a social security benefit.

34 Option five. For Members Retiring prior to July 1, 1993. – The member may elect to
35 receive a reduced retirement allowance under the conditions of Option two or Option
36 three, as provided for above, with the modification that if both he and the person
37 nominated die within 10 years from his retirement date, an amount equal to his
38 accumulated contributions at retirement, less 1/120th thereof for each month for which a
39 retirement allowance has been paid, shall be paid to his legal representatives or to such
40 person as he shall nominate by written designation duly acknowledged and filed with
41 the Board of Trustees.

42 Option six. A member may elect either Option two or Option three with the added
43 provision that in the event the designated beneficiary predeceases the member, the
44 retirement allowance payable to the member after the designated beneficiary's death

1 shall be equal to the retirement allowance which would have been payable had the
2 member not elected the option."

3 SECTION 10. G.S. 128-27 reads as rewritten:

4 "(g1) In the event of the death of a retired member while in receipt of a retirement
5 allowance under the provisions of this Article, there shall be paid to such person or
6 persons as the retiree shall have nominated by written designation duly acknowledged
7 and filed with the Board of Trustees, if such person or persons are living at the time of
8 the retiree's death, otherwise to the retiree's legal representatives, a death benefit equal
9 to the excess, if any, of the accumulated contributions of the retiree at the date of
10 retirement over the total of the retirement allowances paid prior to the death of the
11 retiree.

12 In the event that a retirement allowance becomes payable to the designated survivor
13 of a retired member under the provisions above and such retirement allowance to the
14 survivor shall terminate upon the death of the survivor before the total of the retirement
15 allowances paid to the retiree and the designated survivor combined equals the amount
16 of the accumulated contributions of the retiree at the date of retirement, the excess, if
17 any, of such accumulated contributions over the total of the retirement allowances paid
18 to the retiree and the survivor combined shall be paid in a lump sum to such person or
19 persons as the retiree shall have nominated by written designation duly acknowledged
20 and filed with the Board of Trustees, if such person or persons are living at the time
21 such payment falls due, otherwise to the retiree's legal representative.

22 In the event that a retirement allowance becomes payable to the principal beneficiary
23 designated to receive a return of accumulated contributions pursuant to subsection (m)
24 of this section and that beneficiary dies before the total of the retirement allowances
25 paid equals the amount of the accumulated contributions of the member at the date of
26 the member's death, the excess of those accumulated contributions over the total of the
27 retirement allowances paid to the beneficiary shall be paid in a lump sum to the person
28 or persons the member has designated as the contingent beneficiary for return of
29 accumulated contributions, if the person or persons are living at the time the payment
30 falls due, otherwise to the principal beneficiary's legal representative.

31 In the event a retiree purchases creditable service as provided in G.S. 128-26, there
32 shall be paid to such person or persons as the retiree shall have nominated by written
33 designation duly acknowledged and filed with the Board of Trustees, if such person or
34 persons are living at the time of the retiree's death, otherwise to the retiree's legal
35 representatives, an additional death benefit equal to the excess, if any, of the cost of the
36 creditable service purchased less the administrative fee, if any, over the total of the
37 increase in the retirement allowance attributable to the additional creditable service,
38 paid from the month following the month in which payment was received to the death
39 of the retiree.

40 In the event that a retirement allowance becomes payable to the designated survivor
41 of a retired member under the provisions above, and such retirement allowance to the
42 survivor shall terminate upon the death of the survivor before the total of the increase in
43 the retirement allowance attributable to the additional creditable service paid to the
44 retiree and the designated survivor combined equals the cost of the creditable service

1 purchased less the administrative fee, the excess, if any, shall be paid in a lump sum to
2 such person or persons as the retiree shall have nominated by written designation duly
3 acknowledged and filed with the Board of Trustees, if such person or persons are living
4 at the time such payment falls due, otherwise to the retiree's legal representative."

5 **SECTION 11.** G.S. 128-31 reads as rewritten:

6 **"§ 128-31. Exemptions from execution.**

7 Except for the applications of the provisions of G.S. 110-136, and G.S. 110-136.3 et
8 seq., and in connection with a court-ordered equitable distribution under G.S. 50-20, the
9 right of a person to a pension, an annuity, or a retirement allowance, to the return of
10 contributions, the pension, annuity or retirement allowance itself, any optional benefit or
11 any other right accrued or accruing to any person under the provisions of this Article,
12 and the moneys in the various funds created by this Article, are exempt from levy and
13 sale, garnishment, attachment, or any other process whatsoever, and shall be
14 unassignable except as in this Article specifically otherwise provided. Notwithstanding
15 any provisions to the contrary, any overpayment of benefits to a member in a
16 State-administered retirement system or system, the Disability Salary Continuation Plan
17 Plan, or the Disability Income Plan of North Carolina may be offset against any
18 retirement allowance, return of contributions or any other right accruing under this
19 Chapter to the same person, the person's estate, or designated beneficiary."

20 **SECTION 12.** Article 3 of Chapter 128 of the General Statutes is amended
21 by adding a new section to read:

22 **"§ 128-32.1. Failure to respond.**

23 If a member fails to respond in any way within 90 days after preliminary option
24 figures and Form 6-E, Election of Benefits, are mailed, the Form 6, Application for
25 Service, Early, or Disability Retirement, shall be null and void; the retirement system
26 shall not be liable for any benefits due on account of the voided application, and a new
27 application must be filed establishing a subsequent effective date of retirement. If an
28 applicant for disability retirement fails to furnish requested additional medical
29 information within 90 days following such request, the application shall be declared null
30 and void under the same conditions outlined above, unless the applicant is eligible for
31 early or service retirement in which case the application shall be processed accordingly,
32 using the same effective date as would have been used had the application for disability
33 retirement been approved."

34 **SECTION 13.** G.S. 58-86-85 is repealed.

35 **SECTION 14.** G.S. 58-86-35 reads as rewritten:

36 **"§ 58-86-35. Firemen's application for membership in fund; monthly payments by**
37 **members; payments credited to separate accounts of members.**
38 **members; termination of membership.**

39 Those firemen who are eligible pursuant to G.S. 58-86-25 may make application for
40 membership to the board. Each fireman upon becoming a member of the fund shall pay
41 the director of the fund the sum of ten dollars (\$10.00) per month. The monthly
42 payments shall be credited to the separate account of the member and shall be kept by
43 the custodian so it is available for payment on withdrawal from membership or
44 retirement.

1 A member may elect to terminate membership in the fund at anytime and request the
2 refund of payments previously made to the fund. However, a member's delinquency in
3 making the monthly payments required by this section does not result in the termination
4 of membership without such an election by the member."

5 **SECTION 15.** G.S. 58-86-40 reads as rewritten:

6 **"§ 58-86-40. Rescue squad worker's application for membership in funds; monthly**
7 **payments by members; payments credited to separate accounts of**
8 **members. members; termination of membership.**

9 Those rescue squad workers eligible pursuant to G.S. 58-86-30 may apply to the
10 board for membership. Each eligible rescue squad worker upon becoming a member
11 shall pay the director of the fund the sum of ten dollars (\$10.00) per month. The
12 monthly payments shall be credited to the separate account of the member and shall be
13 kept by the custodian so it is available for payment on withdrawal from membership or
14 retirement.

15 A member may elect to terminate membership in the fund at anytime and request the
16 refund of payments previously made to the fund. However, a member's delinquency in
17 making the monthly payments required by this section does not result in the termination
18 of membership without such an election by the member."

19 **SECTION 16.** This act becomes effective July 1, 2005.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

D

HOUSE BILL 710
PROPOSED COMMITTEE SUBSTITUTE H710-PCS30281-RO-18

Short Title: Retirement Systems Technical Corrections.-AB

(Public)

Sponsors:

Referred to:

March 17, 2005

A BILL TO BE ENTITLED

AN ACT TO MAKE TECHNICAL CORRECTIONS TO THE LAW GOVERNING
THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, THE
CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE FIREMEN'S
AND RESCUE SQUAD WORKERS' PENSION FUND.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-4(e) reads as rewritten:

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

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

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

1 date of withdrawal through the year of repayment and thereby increase his creditable
2 service in this System by the amount of creditable service lost when his account was
3 closed.

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

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

23 **SECTION 2.** G.S. 135-5(g) reads as rewritten:

24 "(g) Election of Optional Allowance. – With the provision that until the first
25 payment on account of any benefit becomes normally due, or his first retirement check
26 has been cashed, any member may elect to receive his benefits in a retirement allowance
27 payable throughout life, or he may elect to receive the actuarial equivalent of such
28 retirement allowance in a reduced allowance payable throughout life under the
29 provisions of one of the options set forth below. The election of Option 2 or Option 3 or
30 nomination of the person thereunder shall be revoked if such person nominated dies
31 prior to the date the first payment becomes normally due or until the first retirement
32 check has been cashed. Such election may be revoked by the member prior to the date
33 the first payment becomes normally due or until his first retirement check has been
34 cashed. Provided, however, in the event a member has elected Option 2 or Option 3 and
35 nominated his or her spouse to receive a retirement allowance upon the member's death,
36 and the spouse predeceases the member after the first payment becomes normally due or
37 the first retirement check has been cashed, if the member remarries he or she may
38 request to nominate a new spouse to receive the retirement allowance under the
39 previously elected option, within 90 days of the ~~remarriage~~ remarriage, and may
40 nominate a new spouse to receive the retirement allowance under the previously elected
41 option by written designation duly acknowledged and filed with the Board of Trustees
42 within 120 days of the remarriage. The new nomination shall be effective on the first
43 day of the month in which it is made and shall provide for a retirement allowance
44 computed to be the actuarial equivalent of the retirement allowance in effect

1 immediately prior to the effective date of the new nomination. Any member having
2 elected Options 2, 3, or 6 and nominated his or her spouse to receive a retirement
3 allowance upon the member's death may, after divorce from his or her spouse, revoke
4 the nomination and elect a new option, effective on the first day of the month in which
5 the new option is elected, providing for a retirement allowance computed to be the
6 actuarial equivalent of the retirement allowance in effect immediately prior to the
7 effective date of the new option.

8 Option 1.(a) In the Case of a Member Who Retires prior to July 1, 1963. – If he
9 dies before he has received in annuity payments the present value of
10 his annuity as it was at the time of his retirement, the balance shall be
11 paid to his legal representatives or to such person as he shall nominate
12 by written designation duly acknowledged and filed with the Board of
13 Trustees.

14 (b) In the Case of a Member Who Retires on or after July 1, 1963, but
15 prior to July 1, 1993. – If he dies within 10 years from his retirement
16 date, an amount equal to his accumulated contributions at retirement,
17 less 1/120 thereof for each month for which he has received a
18 retirement allowance payment, shall be paid to his legal
19 representatives or to such person as he shall nominate by written
20 designation duly acknowledged and filed with the Board of Trustees;
21 or

22 Option 2. Upon his death his reduced retirement allowance shall be continued
23 throughout the life of and paid to such person as he shall nominate by written
24 designation duly acknowledged and filed with the Board of Trustees at the time of his
25 retirement, provided that if the person selected is other than his spouse the reduced
26 retirement allowance payable to the member shall not be less than one half of the
27 retirement allowance without optional modification which would otherwise be payable
28 to him; or

29 Option 3. Upon his death, one half of his reduced retirement allowance shall be
30 continued throughout the life of, and paid to such person as he shall nominate by written
31 designation duly acknowledged and filed with the Board of Trustees at the time of his
32 retirement; or

33 Option 4. Adjustment of Retirement Allowance for Social Security Benefits. – Until
34 the first payment on account of any benefit becomes normally due, any member may
35 elect to convert his benefit otherwise payable on his account after retirement into a
36 retirement allowance of equivalent actuarial value of such amount that with his benefit
37 under Title II of the Federal Social Security Act, he will receive, so far as possible,
38 approximately the same amount per year before and after the earliest age at which he
39 becomes eligible, upon application therefor, to receive a social security benefit.

40 Option 5. For Members Retiring Prior to July 1, 1993. – The member may elect to
41 receive a reduced retirement allowance under the conditions of Option 2 or Option 3, as
42 provided for above, with the modification that if both he and the person nominated die
43 within 10 years from his retirement date, an amount equal to his accumulated
44 contributions at retirement, less 1/120 thereof for each month for which a retirement

allowance has been paid, shall be paid to his legal representatives or to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees.

Option 6. A member may elect either Option 2 or Option 3 with the added provision that in the event the designated beneficiary predeceases the member, the retirement allowance payable to the member after the designated beneficiary's death shall be equal to the retirement allowance which would have been payable had the member not elected the option."

SECTION 3. 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 that a retirement allowance becomes payable to the principal beneficiary designated to receive a return of accumulated contributions pursuant to subsection (m) of this section and that beneficiary dies before the total of the retirement allowances paid equals the amount of the accumulated contributions of the member at the date of the member's death, the excess of those accumulated contributions over the total of the retirement allowances paid to the beneficiary shall be paid in a lump sum to the person or persons the member has designated as the contingent beneficiary for return of accumulated contributions, if the person or persons are living at the time the payment falls due, otherwise to the principal beneficiary'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,

1 paid from the month following the month in which payment was received to the death
2 of the retiree.

3 In the event that a retirement allowance becomes payable to the designated survivor
4 of a retired member under the provisions above and such retirement allowance to the
5 survivor shall terminate upon the death of the survivor before the total of the increase in
6 the retirement allowance attributable to the additional creditable service paid to the
7 retiree and the designated survivor combined equals the cost of the creditable service
8 purchased less the administrative fee, the excess, if any, shall be paid in a lump sum to
9 such person or persons as the retiree shall have nominated by written designation duly
10 acknowledged and filed with the Board of Trustees, if such person or persons are living
11 at the time such payment falls due, otherwise to the retiree's legal representative."

12 **SECTION 4.** Article 1 of Chapter 135 is amended by adding a new section
13 to read:

14 **"§ 135-10.1. Failure to respond.**

15 If a member fails to respond in any way within 90 days after preliminary option
16 figures and Form 6-E, Election of Benefits, are mailed, the Form 6, Application for
17 Service, Early or Disability Retirement, shall be null and void; the retirement system
18 shall not be liable for any benefits due on account of the voided application, and a new
19 application must be filed establishing a subsequent effective date of retirement. If an
20 applicant for disability retirement fails to furnish requested additional medical
21 information within 90 days following such request, the application shall be declared null
22 and void under the same conditions outlined above, unless the applicant is eligible for
23 early or service retirement in which case the application shall be processed accordingly,
24 using the same effective date as would have been used had the application for disability
25 retirement been approved."

26 **SECTION 5.** G.S. 135-64(c) reads as rewritten:

27 "(c) In the event of the death of a former member while in receipt of a retirement
28 allowance under the provisions of G.S. ~~135-58 or 135-60 (but not 135-61)~~, G.S. 135-58,
29 135-60, or 135-61, if such former member is not survived by a spouse to whom a
30 retirement allowance is payable under the provisions of subsection (a) or subsection (b)
31 above, nor survived by a beneficiary to whom a monthly survivorship benefit is payable
32 under one of the optional modes of payment under G.S. 135-61, there shall be paid to
33 such person as the member shall have nominated by written designation duly
34 acknowledged and filed with the Board of Trustees, if such person is living at the time
35 of the member's death, otherwise to the member's legal representatives, a death benefit
36 equal to the excess, if any, of the accumulated contributions of the member at his date of
37 retirement over the total of the retirement allowances paid to him prior to his death."

38 **SECTION 6.** G.S. 135-64(d) reads as rewritten:

39 "(d) In the event that a retirement allowance becomes payable to the spouse of a
40 former member under the provisions of subsection (a) or subsection (b) above, ~~provided~~
41 ~~that the member's retirement allowance had not been paid~~ or to the designated survivor
42 of a former member under one of the optional modes of payment under G.S. 135-61,
43 and such retirement allowance to the spouse shall terminate on the remarriage or death
44 of the ~~spouse~~ spouse, or on the death of the designated survivor, before the total of the

1 retirement allowances paid to the former member and his spouse or designated survivor
2 combined equals the amount of the member's accumulated contributions at his date of
3 retirement, the excess of such accumulated contributions over the total of the retirement
4 allowances paid to the former member and his spouse or designated survivor combined
5 shall be paid in a lump sum to such person as the member shall have nominated by
6 written designation duly acknowledged and filed with the Board of Trustees, if such
7 person is living at the time such payment falls due, otherwise to the former member's
8 legal representatives."

9 **SECTION 6.1.** G.S. 135-106(a) reads as rewritten:

10 "(a) **(Effective until August 1, 2005)** Upon the application of a beneficiary or
11 participant or of his legal representative or any person deemed by the Board of Trustees
12 to represent the participant or beneficiary, any beneficiary or participant who has had
13 five or more years of membership service may receive long-term disability benefits
14 from the Plan upon approval by the Board of Trustees, commencing on the first day
15 succeeding the conclusion of the short-term disability period provided for in
16 G.S. 135-105, provided the beneficiary or participant makes application for such benefit
17 within 180 days after the short-term disability period ceases, after salary continuation
18 payments cease, or after monthly payments for Workers' Compensation cease,
19 whichever is later; Provided, that the beneficiary or participant withdraws from active
20 service by terminating employment as a teacher or State employee; Provided, that the
21 Medical Board shall certify that such beneficiary or participant is mentally or physically
22 incapacitated for the further performance of duty, that such incapacity was incurred at
23 the time of active employment and has been continuous thereafter, that such incapacity
24 is likely to be permanent; Provided further that the Medical Board shall not certify any
25 beneficiary or participant as disabled who is in receipt of any payments on account of
26 the same incapacity which existed when the beneficiary first established membership in
27 the Retirement System. The Board of Trustees may extend this 180-day filing
28 requirement upon receipt of clear and convincing evidence that application was delayed
29 through no fault of the disabled beneficiary or participant and was delayed due to the
30 employers' miscalculation of the end of the 180-day filing period. However, in no
31 instance shall the filing period be extended beyond an additional 180 days.

32 The Board of Trustees may require each beneficiary who becomes eligible to receive
33 a long-term disability benefit to have an annual medical review or examination for the
34 first five years and thereafter once every three years after the commencement of benefits
35 under this section. However, the Board of Trustees may require more frequent
36 examinations and upon the advice of the Medical Board shall determine which cases
37 require such examination. Should any beneficiary refuse to submit to any examination
38 required by this subsection or by the Medical Board, his long-term disability benefit
39 shall be suspended until he submits to an examination, and should his refusal last for
40 one year, his benefit may be terminated by the Board of Trustees. If the Medical Board
41 finds that a beneficiary is no longer mentally or physically incapacitated for the further
42 performance of duty, the Medical Board shall so certify this finding to the Board of
43 Trustees, and the Board of Trustees may terminate the beneficiary's long-term disability

1 benefits effective on the last day of the month in which the Medical Board certifies that
2 the beneficiary is no longer disabled.

3 As to the requirement of five years of membership service, any participant or
4 beneficiary who does not have five years of membership service within the 96 calendar
5 months prior to ~~conclusion of the short-term disability period~~ becoming disabled or
6 upon cessation of continuous salary continuation payments, whichever is later, shall not
7 be eligible for long-term disability benefits.

8 Notwithstanding the requirement that the incapacity was incurred at the time of
9 active employment, any participant who becomes disabled while on an employer
10 approved leave of absence and who is eligible for and in receipt of temporary total
11 benefits under The North Carolina Workers' Compensation Act, Article 1 of Chapter 97
12 of the General Statutes, will be eligible for all benefits provided under this Article."

13 **SECTION 7.** G.S. 135-111 reads as rewritten:

14 **"§ 135-111. Applicability of other pension laws.**

15 Subject to the provisions of this Article, the provisions of G.S. 135-9, entitled
16 "Exemption from taxes, garnishment, attachment, etc."; G.S. 135-10, entitled
17 "Protection against fraud"; G.S. 135-10.1, entitled "Failure to Respond"; and
18 G.S. 135-17, entitled "Facility of payment" shall be applicable to this Article and to
19 benefits paid pursuant to the provisions of this Article."

20 **SECTION 8.** G.S. 128-26(e) reads as rewritten:

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

29 On and after July 1, 1971, a member whose account was closed on account of
30 absence from service under the provisions of G.S. 128-24(1a) and who subsequently
31 returns to service for a period of five years, may thereafter repay the amount withdrawn
32 plus regular interest thereon from the date of withdrawal through the year of repayment
33 and thereby increase his creditable service by the amount of creditable service lost when
34 this account was closed.

35 On and after July 1, 1973, a member whose account in the Teachers' and State
36 Employees' Retirement System was closed on account of absence from service under
37 the provisions of G.S. 135-3(3) and who subsequently became or becomes a member of
38 this System with credit for five years of service, may thereafter repay in a lump sum the
39 amount withdrawn from the Teachers' and State Employees' Retirement System plus
40 regular interest thereon from the date of withdrawal through the year of repayment and
41 thereby increase his creditable service in this System by the amount of creditable
42 service lost when his account was closed.

43 Notwithstanding any other provision of this Chapter, any member who entered
44 service or was restored to service prior to July 1, 1982, and was excluded from

1 membership service solely on account of having attained the age of 62 years, in
2 accordance with former G.S. 128-24(3a), may purchase membership service credits for
3 such excluded service by making a lump-sum payment equal to the contributions that
4 would have been deducted pursuant to G.S. 128-30(b) had he been a member of the
5 Retirement System, increased by interest calculated at a rate of seven percent (7%) per
6 annum. Creditable service for unused sick leave shall be allowed only for sick leave
7 accrued monthly during employment under a duly adopted sick leave policy and for
8 which the member may be able to take credits and be paid for sick leave without
9 restriction.

10 On and after January 1, 1986, the creditable service of a member who was a member
11 of the Law Enforcement Officers' Retirement System at the time of the transfer of law
12 enforcement officers employed by participating employers from that System to this
13 Retirement System and whose accumulated contributions are transferred from that
14 System to this Retirement System, includes service that was creditable in the Law
15 Enforcement Officers' Retirement System; and membership service with that System is
16 membership service with this Retirement System; provided, notwithstanding any
17 provisions of this Article to the contrary, any inchoate or accrued rights of such a
18 member to purchase creditable service for military service, withdrawn service and prior
19 service under the rules and regulations of the Law Enforcement Officers' Retirement
20 System may not be diminished and may be purchased as creditable service with this
21 Retirement System under the same conditions that would have otherwise applied."

22 **SECTION 9.** G.S. 128-27(g) reads as rewritten:

23 "(g) Election of Optional Allowance. – With the provision that until the first
24 payment on account of any benefit becomes normally due, or his first retirement check
25 has been cashed, any member may elect to receive his benefits in a retirement allowance
26 payable throughout life, or he may elect to receive the actuarial equivalent of such
27 retirement allowance in a reduced allowance payable throughout life under the
28 provisions of one of the Options set forth below. The election of Option two or Option
29 three or nomination of the person thereunder shall be revoked if such person nominated
30 dies prior to the date the first payment becomes normally due or the first retirement
31 check has been cashed. Such election may be revoked by the member prior to the date
32 the first payment becomes normally due or his first retirement check has been cashed.
33 Provided, however, in the event a member has elected Option 2 or Option 3 and
34 nominated his or her spouse to receive a retirement allowance upon the member's death,
35 and the spouse predeceases the member after the first payment becomes normally due or
36 the first retirement check has been cashed, if the member remarries he or she may
37 request to nominate a new spouse to receive the retirement allowance under the
38 previously elected option, within 90 days of the ~~remarriage~~ remarriage, and may
39 nominate a new spouse to receive the retirement allowance under the previously elected
40 option by written designation duly acknowledged and filed with the Board of Trustees
41 within 120 days of the remarriage. The new nomination shall be effective on the first
42 day of the month in which it is made and shall provide for a retirement allowance
43 computed to be the actuarial equivalent of the retirement allowance in effect
44 immediately prior to the effective date of the new nomination. Any member having

1 elected Options two, three, or six and nominated his or her spouse to receive a
2 retirement allowance upon the member's death may, after divorce from his or her
3 spouse, revoke the nomination and elect a new option, effective on the first day of the
4 month in which the new option is elected, providing for a retirement allowance
5 computed to be the actuarial equivalent of the retirement allowance in effect
6 immediately prior to the effective date of the new option.

7 Option one.

8 (a) In the Case of a Member Who Retires prior to July 1, 1965. – If he
9 dies before he has received in annuity payments the present value of
10 his annuity as it was at the time of his retirement, the balance shall be
11 paid to such person as he shall nominate by written designation duly
12 acknowledged and filed with the Board of Trustees or, if none, to his
13 legal representative.

14 (b) In the Case of a Member Who Retires on or after July 1, 1965, but
15 prior to July 1, 1993. – If he dies within 10 years from his retirement
16 date, an amount equal to his accumulated contributions at retirement,
17 less one one-hundred-twentieth thereof for each month for which he
18 has received a retirement allowance payment, shall be paid to such
19 person as he shall nominate by written designation duly acknowledged
20 and filed with the Board of Trustees or, if none, to his legal
21 representative; or

22 Option two. Upon his death his reduced retirement allowance shall be continued
23 throughout the life of and paid to such person as he shall nominate by written
24 designation duly acknowledged and filed with the Board of Trustees at the time of his
25 retirement, provided that if the person selected is other than his spouse the reduced
26 retirement allowance payable to the member shall not be less than one half of the
27 retirement allowance without optional modification which would otherwise be payable
28 to him; or

29 Option three. Upon his death, one half of his reduced retirement allowance shall be
30 continued throughout the life of, and paid to such person as he shall nominate by written
31 designation duly acknowledged and filed with the Board of Trustees at the time of his
32 retirement; or

33 Option four. Adjustment of Retirement Allowance for Social Security Benefits. –
34 Until the first payment on account of any benefit becomes normally due, any member
35 may elect to convert his benefit otherwise payable on his account after retirement into a
36 retirement allowance of equivalent actuarial value of such amount that with his benefit
37 under Table II of the Federal Social Security Act, he will receive, so far as possible,
38 approximately the same amount per year before and after the earliest age at which he
39 becomes eligible, upon application therefor, to receive a social security benefit.

40 Option five. For Members Retiring prior to July 1, 1993. – The member may elect to
41 receive a reduced retirement allowance under the conditions of Option two or Option
42 three, as provided for above, with the modification that if both he and the person
43 nominated die within 10 years from his retirement date, an amount equal to his
44 accumulated contributions at retirement, less 1/120th thereof for each month for which a

1 retirement allowance has been paid, shall be paid to his legal representatives or to such
2 person as he shall nominate by written designation duly acknowledged and filed with
3 the Board of Trustees.

4 Option six. A member may elect either Option two or Option three with the added
5 provision that in the event the designated beneficiary predeceases the member, the
6 retirement allowance payable to the member after the designated beneficiary's death
7 shall be equal to the retirement allowance which would have been payable had the
8 member not elected the option."

9 **SECTION 10.** G.S. 128-27 reads as rewritten:

10 "(g1) In the event of the death of a retired member while in receipt of a retirement
11 allowance under the provisions of this Article, there shall be paid to such person or
12 persons as the retiree shall have nominated by written designation duly acknowledged
13 and filed with the Board of Trustees, if such person or persons are living at the time of
14 the retiree's death, otherwise to the retiree's legal representatives, a death benefit equal
15 to the excess, if any, of the accumulated contributions of the retiree at the date of
16 retirement over the total of the retirement allowances paid prior to the death of the
17 retiree.

18 In the event that a retirement allowance becomes payable to the designated survivor
19 of a retired member under the provisions above and such retirement allowance to the
20 survivor shall terminate upon the death of the survivor before the total of the retirement
21 allowances paid to the retiree and the designated survivor combined equals the amount
22 of the accumulated contributions of the retiree at the date of retirement, the excess, if
23 any, of such accumulated contributions over the total of the retirement allowances paid
24 to the retiree and the survivor combined shall be paid in a lump sum to such person or
25 persons as the retiree shall have nominated by written designation duly acknowledged
26 and filed with the Board of Trustees, if such person or persons are living at the time
27 such payment falls due, otherwise to the retiree's legal representative.

28 In the event that a retirement allowance becomes payable to the principal beneficiary
29 designated to receive a return of accumulated contributions pursuant to subsection (m)
30 of this section and that beneficiary dies before the total of the retirement allowances
31 paid equals the amount of the accumulated contributions of the member at the date of
32 the member's death, the excess of those accumulated contributions over the total of the
33 retirement allowances paid to the beneficiary shall be paid in a lump sum to the person
34 or persons the member has designated as the contingent beneficiary for return of
35 accumulated contributions, if the person or persons are living at the time the payment
36 falls due, otherwise to the principal beneficiary's legal representative.

37 In the event a retiree purchases creditable service as provided in G.S. 128-26, there
38 shall be paid to such person or persons as the retiree shall have nominated by written
39 designation duly acknowledged and filed with the Board of Trustees, if such person or
40 persons are living at the time of the retiree's death, otherwise to the retiree's legal
41 representatives, an additional death benefit equal to the excess, if any, of the cost of the
42 creditable service purchased less the administrative fee, if any, over the total of the
43 increase in the retirement allowance attributable to the additional creditable service,

1 paid from the month following the month in which payment was received to the death
2 of the retiree.

3 In the event that a retirement allowance becomes payable to the designated survivor
4 of a retired member under the provisions above, and such retirement allowance to the
5 survivor shall terminate upon the death of the survivor before the total of the increase in
6 the retirement allowance attributable to the additional creditable service paid to the
7 retiree and the designated survivor combined equals the cost of the creditable service
8 purchased less the administrative fee, the excess, if any, shall be paid in a lump sum to
9 such person or persons as the retiree shall have nominated by written designation duly
10 acknowledged and filed with the Board of Trustees, if such person or persons are living
11 at the time such payment falls due, otherwise to the retiree's legal representative."

12 **SECTION 11.** G.S. 128-31 reads as rewritten:

13 **"§ 128-31. Exemptions from execution.**

14 Except for the applications of the provisions of G.S. 110-136, and G.S. 110-136.3 et
15 seq., and in connection with a court-ordered equitable distribution under G.S. 50-20, the
16 right of a person to a pension, an annuity, or a retirement allowance, to the return of
17 contributions, the pension, annuity or retirement allowance itself, any optional benefit or
18 any other right accrued or accruing to any person under the provisions of this Article,
19 and the moneys in the various funds created by this Article, are exempt from levy and
20 sale, garnishment, attachment, or any other process whatsoever, and shall be
21 unassignable except as in this Article specifically otherwise provided. Notwithstanding
22 any provisions to the contrary, any overpayment of benefits to a member in a
23 State-administered retirement system ~~or system~~, the Disability Salary Continuation Plan
24 Plan, or the Disability Income Plan of North Carolina may be offset against any
25 retirement allowance, return of contributions or any other right accruing under this
26 Chapter to the same person, the person's estate, or designated beneficiary."

27 **SECTION 12.** Article 3 of Chapter 128 of the General Statutes is amended
28 by adding a new section to read:

29 **"§ 128-32.1. Failure to respond.**

30 If a member fails to respond in any way within 90 days after preliminary option
31 figures and Form 6-E, Election of Benefits, are mailed, the Form 6, Application for
32 Service, Early, or Disability Retirement, shall be null and void; the retirement system
33 shall not be liable for any benefits due on account of the voided application, and a new
34 application must be filed establishing a subsequent effective date of retirement. If an
35 applicant for disability retirement fails to furnish requested additional medical
36 information within 90 days following such request, the application shall be declared null
37 and void under the same conditions outlined above, unless the applicant is eligible for
38 early or service retirement in which case the application shall be processed accordingly,
39 using the same effective date as would have been used had the application for disability
40 retirement been approved."

41 **SECTION 13.** G.S. 58-86-85 is repealed.

42 **SECTION 14.** G.S. 58-86-35 reads as rewritten:

1 "§ 58-86-35. Firemen's application for membership in fund; monthly payments by
2 members; payments credited to separate accounts of members.
3 members; termination of membership.

4 Those firemen who are eligible pursuant to G.S. 58-86-25 may make application for
5 membership to the board. Each fireman upon becoming a member of the fund shall pay
6 the director of the fund the sum of ten dollars (\$10.00) per month. The monthly
7 payments shall be credited to the separate account of the member and shall be kept by
8 the custodian so it is available for payment on withdrawal from membership or
9 retirement.

10 A member may elect to terminate membership in the fund at anytime and request the
11 refund of payments previously made to the fund. However, a member's delinquency in
12 making the monthly payments required by this section does not result in the termination
13 of membership without such an election by the member."

14 SECTION 15. G.S. 58-86-40 reads as rewritten:

15 "§ 58-86-40. Rescue squad worker's application for membership in funds; monthly
16 payments by members; payments credited to separate accounts of
17 members; members; termination of membership.

18 Those rescue squad workers eligible pursuant to G.S. 58-86-30 may apply to the
19 board for membership. Each eligible rescue squad worker upon becoming a member
20 shall pay the director of the fund the sum of ten dollars (\$10.00) per month. The
21 monthly payments shall be credited to the separate account of the member and shall be
22 kept by the custodian so it is available for payment on withdrawal from membership or
23 retirement.

24 A member may elect to terminate membership in the fund at anytime and request the
25 refund of payments previously made to the fund. However, a member's delinquency in
26 making the monthly payments required by this section does not result in the termination
27 of membership without such an election by the member."

28 SECTION 16. Section 6.1 of this act becomes effective December 1, 2004.
29 The remainder of this act becomes effective July 1, 2005.

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

HB 710 A BILL TO BE ENTITLED AN ACT TO MAKE TECHNICAL CORRECTIONS TO THE LAW GOVERNING THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

☒ With a favorable report as to the committee substitute bill, unfavorable as to the original bill.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the (House) committee substitute bill/(joint) resolution (No. _____) is placed on the Calendar of _____. (The original bill resolution No. _____) is placed on the Unfavorable Calendar.

_____ The (House) committee substitute bill/(joint) resolution (No. _____) is re-referred to the Committee on _____. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. _____) is placed on the Unfavorable Calendar.



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 710

H710-ARO-11 [v.1]

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

Page 1 of 1

Date _____, 2005

Comm. Sub. [NO]
Amends Title [NO]
First Edition

Representative _____

- 1 moves to amend the bill on page 1, line 11, by deleting the term "G.S. 135-10." and
- 2 substituting the term "G.S. 135-10.1.".
- 3

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 710

H710-ALL-3 [v.1]

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

Page 1 of 3

Date _____, 2005

Comm. Sub. [NO]
Amends Title [NO]
First Edition

Representative _____

1 moves to amend the bill on page 6, lines 6-7,
2 by inserting between those lines a new section to read:

3
4 **"SECTION 6.1. G.S. 135-106(a) reads as rewritten:**

5 **"(a) (Effective until August 1, 2005)** Upon the application of a beneficiary or
6 participant or of his legal representative or any person deemed by the Board of Trustees
7 to represent the participant or beneficiary, any beneficiary or participant who has had
8 five or more years of membership service may receive long-term disability benefits
9 from the Plan upon approval by the Board of Trustees, commencing on the first day
10 succeeding the conclusion of the short-term disability period provided for in G.S.
11 135-105, provided the beneficiary or participant makes application for such benefit
12 within 180 days after the short-term disability period ceases, after salary continuation
13 payments cease, or after monthly payments for Workers' Compensation cease,
14 whichever is later; Provided, that the beneficiary or participant withdraws from active
15 service by terminating employment as a teacher or State employee; Provided, that the
16 Medical Board shall certify that such beneficiary or participant is mentally or physically
17 incapacitated for the further performance of duty, that such incapacity was incurred at
18 the time of active employment and has been continuous thereafter, that such incapacity
19 is likely to be permanent; Provided further that the Medical Board shall not certify any
20 beneficiary or participant as disabled who is in receipt of any payments on account of
21 the same incapacity which existed when the beneficiary first established membership in
22 the Retirement System. The Board of Trustees may extend this 180-day filing
23 requirement upon receipt of clear and convincing evidence that application was delayed
24 through no fault of the disabled beneficiary or participant and was delayed due to the



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 710

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

H710-ALL-3 [v.1]

Page 2 of 3

1 employers' miscalculation of the end of the 180-day filing period. However, in no
2 instance shall the filing period be extended beyond an additional 180 days.

3 The Board of Trustees may require each beneficiary who becomes eligible to receive
4 a long-term disability benefit to have an annual medical review or examination for the
5 first five years and thereafter once every three years after the commencement of benefits
6 under this section. However, the Board of Trustees may require more frequent
7 examinations and upon the advice of the Medical Board shall determine which cases
8 require such examination. Should any beneficiary refuse to submit to any examination
9 required by this subsection or by the Medical Board, his long-term disability benefit
10 shall be suspended until he submits to an examination, and should his refusal last for
11 one year, his benefit may be terminated by the Board of Trustees. If the Medical Board
12 finds that a beneficiary is no longer mentally or physically incapacitated for the further
13 performance of duty, the Medical Board shall so certify this finding to the Board of
14 Trustees, and the Board of Trustees may terminate the beneficiary's long-term disability
15 benefits effective on the last day of the month in which the Medical Board certifies that
16 the beneficiary is no longer disabled.

17 As to the requirement of five years of membership service, any participant or
18 beneficiary who does not have five years of membership service within the 96 calendar
19 months prior to ~~conclusion of the short-term disability period~~ becoming disabled or
20 upon cessation of continuous salary continuation payments, whichever is later, shall not
21 be eligible for long-term disability benefits.

22 Notwithstanding the requirement that the incapacity was incurred at the time of
23 active employment, any participant who becomes disabled while on an employer
24 approved leave of absence and who is eligible for and in receipt of temporary total
25 benefits under The North Carolina Workers' Compensation Act, Article 1 of Chapter 97
26 of the General Statutes, will be eligible for all benefits provided under this Article.";

27
28 and on page 6, line 11,
29 by deleting "G.S. 135-10," and substituting G.S. 135-10.1,";

30
31 and on page 11, line 19,
32 by rewriting that line to read:
33



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 710

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

H710-ALL-3 [v.1]

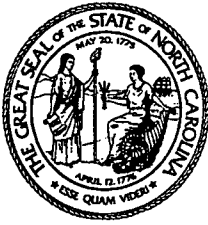
Page 3 of 3

- 1 **"SECTION 16.** Section 6.1 becomes effective December 1, 2004. The
2 remainder of this act becomes effective July 1, 2005."
3

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____



HOUSE BILL 710: Retirement Systems Technical Corrections.-AB

BILL ANALYSIS

Committee:	House Pensions and Retirement	Date:	May 4, 2005
Introduced by:	Rep. Bell	Summary by:	Karen Cochrane-Brown
Version:	First Edition		Committee Counsel

SUMMARY: : *House Bill 710 makes technical corrections to the law governing the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, and the Firemen's and Rescue Squad Workers' Pension Fund.*

BILL ANALYSIS:

Sections 1 through 4 of the bill amend the law governing the Teachers' and State Employees' Retirement System.

Section 1 clarifies the law relating to counting a member's sick leave in computing creditable service. Under current law, a member receives one month of service credit for each 20 days or portion thereof of sick leave. This provision clarifies that a member must have at least one hour of sick leave beyond 20 days in order to receive credit for an additional month of service.

Section 2 amends the law relating to the election of optional allowances. Currently, if a member has elected Option 2 or 3 and designated his or her spouse, the member may designate a new spouse if the first spouse predeceases the member and the member makes the designation within 90 days of remarriage. This provision allows the member to request an estimate within 90 days, but must file a written designation with the Retirement System within 120 days of remarriage.

Section 3 adds a provision that directs that in the event of the death of a primary beneficiary who has elected to receive the Survivors Alternate Benefit, any excess accumulated contributions shall be paid to the member's contingent beneficiary, and if that person is no longer living at the time of payment, the benefit shall be paid to the primary beneficiary's estate.

Section 4 adds a new section to the Retirement law which states that if a member fails to respond within 90 days after a preliminary option estimate has been mailed to the member, the member's retirement application will be voided and the Retirement System will not be liable for any benefits that might have been due if the member had responded with regard to the option election. This section also provides that if a disability retirement applicant fails to furnish requested medical information within 90 days of the request, the applicant's application will be voided unless the applicant is eligible for a service retirement.

Sections 5 and 6 amend the law governing the Consolidated Judicial Retirement System.

Section 5 provides that a retiree's excess accumulated contributions will be paid to a members designated beneficiary regardless of whether the member elected an optional mode of payment when the member retired.

Section 6 clarifies that the excess accumulated contributions remaining at the death of a designated survivor of a former member are payable to the member's designated beneficiary.

House Bill 710

Page 2

Section 7 makes a conforming change to the Disability Income Plan.

Sections 8 through 12 make the same changes to the Local Governmental Retirement System as are made to the Teachers' and State Employees' System in Sections 1 through 4 of the bill.

Sections 13 through 15 apply to the Firemen's and Rescue Squad Workers' Pension Fund.

Section 13 repeals a provision that required the termination of the membership of any member who became six months delinquent in making the monthly payments required by the Plan.

Section 14 clarifies that a fireman may terminate membership at any time and request a refund of the payments made, however, a member's delinquency in making the payments will not result in termination of the membership.

Section 15 makes the same change as section 14 for rescue squad workers.

EFFECTIVE DATE: The act would become effective July 1, 2005.

BACKGROUND: [As introduced, this bill was identical to S1105, as introduced by Sen. Nesbitt, which is currently in Senate Pensions & Retirement and Aging.]

H0710e1-SMRO



**North Carolina General Assembly
Legislative Services Office**

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April 6, 2005

MEMORANDUM

TO: Representative Larry Bell

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 710

Re: Retirement Technical Corrections

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
Representative Wilson

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note: Mellon, March 30, 2005
- (3) Actuarial Note: Hartman & Associates, April 5, 2005

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 710 (First Edition)

SHORT TITLE: Retirement Systems Technical Corrections.-AB

SPONSOR(S): Representative Bell

FUNDS AFFECTED: General Fund, Highway Fund, Receipt Funds and local funds

SYSTEM OR PROGRAM AFFECTED: Teachers' & State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System, Local Governmental Employees' Retirement System and Firemen's and Rescue Squad Workers' Pension Fund

EFFECTIVE DATE: July 1, 2005

BILL SUMMARY: Amends GS 135-5(g1) to provide for payment of benefits in the event of the primary beneficiary's death. Adds new GS 135-10.1 listing circumstances in which an application for service, early, or disability retirement is null and void. Makes parallel changes in GS Chapter 128. Repeals GS 58-86-85. Amends GS 58-86-35 and 58-86-40, allowing for termination of membership in Firemen's Pension Fund by member. Makes conforming changes.

ESTIMATED IMPACT ON STATE: Both, Mellon, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree there would be no cost or very little 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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 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, 2003 actuarial valuation of the fund. The data included 497 active members with an annual payroll of \$49.5 million and 408 retired members in receipt of annual pensions totaling \$19 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, 2003 actuarial valuation of the fund. The data included 170 active members with an annual payroll of \$3.7 million and 235 retired members in receipt of annual pensions totaling \$1.5 million. 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.

Disability Income Plan of North Carolina for Teacher's & State Employees'

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, 2003 actuarial valuation of the fund. The data included 314,271 active members with an annual payroll of \$10.9 billion, actuarial value of assets \$268 million and 5,083 disabled members in receipt of annual pensions totaling \$46 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) across-the-board salary increases of 5.75%, (c) rates of disability and termination based on the Group Long-Term Disability (GLTD) Valuation Tables published in the Society of Actuaries Transactions Volume XXXIX, 1987. The assumed rate of approval for Social Security disability benefits prior to the completion of four years of disability is 75% and the assumed future increases in Social Security benefits are 3.75% per year. Claims cost for the Long Term Disability benefits are calculated using the one-year term cost method, i.e., the cost of coverage is the present value of all LTD benefits payment that will be made on expected claims incurred during the year following the valuation date. Short Term disability benefits are 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, 2003 actuarial valuation of the fund. The data included 119,755 active

members with an annual payroll of \$3.9 billion and 34,861 retired members in receipt of annual pensions totaling \$487.5 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.

Firemen's and Rescue Squad Workers' Pension Fund: The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the June 30, 2004 actuarial valuation of the fund. The data included 32,811 active members and 9,194 retired members in receipt of annual pensions totaling \$17.8 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

TECHNICAL CONSIDERATIONS: None

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

Official
Fiscal Research Division
Publication

DATE: April 5, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices



Human Resources & Investor Solutions

March 30, 2005

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 710

Dear Mr. Joyal:

We have received your letter of March 24 regarding House Bill 710 which affects the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, the Firemen's and Rescue Squad Workers' Pension Fund and the Long Term Disability Income Plan.

House Bill 710 proposes to amend various existing statutes in order to make administration of the several retirement systems of the Department of State Treasurer more efficient.

There would be no cost to any of the Retirement Systems or the Long Term Disability Income Plan on account of this legislation.

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

Sincerely,

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sh

P:\North Carolina Teachers\2005\Correspondence\House Bill 710.doc
387 RET03-140

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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

April 5, 2005

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

Re: House Bill 710: An Act to Make Technical Corrections to the Law
Governing the TSERS, LGERS, CJRS and FRSW Pension Fund

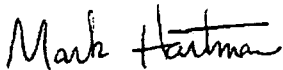
Dear Mr. Moore:

This bill amends various provisions of G.S. 135, G.S. 128 and G.S. 58 regarding the Teachers= and State Employees= Retirement System (TSERS), the Local Governmental Employees= Retirement System (LGERS), the Consolidated Judicial Retirement System (CJRS) and the Firemen's and Rescue Workers' Pension Fund (FRSW). This act is effective July 1, 2005.

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, CJRS or FRSW.

If you have any questions, let me know.

Sincerely,



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

MVH/jj

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

1

HOUSE BILL 1237

Short Title: Change Local Governmental Retirement Board.

(Public)

Sponsors: Representative Tucker.

Referred to: Pensions and Retirement.

April 18, 2005

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR FOUR ADDITIONAL MEMBERS OF THE BOARD
OF TRUSTEES OF THE LOCAL GOVERNMENTAL EMPLOYEES'
RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 128-28(c) reads as rewritten:

"(c) Members of Board. – The Board shall consist of (i) seven members of the Board of Trustees of the Teachers' and State Employees' Retirement System, System appointed under G.S. 135-6(b): the State Treasurer; the Superintendent of Public Instruction; the two members appointed by the General Assembly; and the three members appointed by the Governor who are not members of the teaching profession or State employees; and three local governmental officials (ii) seven members designated by the Governor. Governor:

(1) One local governmental official member shall be a mayor, mayor or a member of the governing body, or a full-time officer body of a city or town participating in the Retirement System, and one local governmental official System;

(2) One member shall be a county commissioner or a full-time officer of a county participating in the Retirement System, and one local governmental official System;

(3) One member shall be a law-enforcement officer employed by an employer participating in the Retirement System. System;

(4) One member shall be a county manager of a county participating in the Retirement System;

(5) One member shall be a city or town manager of a city or town participating in the Retirement System;

(6) One member shall be an active local governmental employee of an employer; and

1 (7) One member shall be a retired local governmental employee of an
2 employer.

3 The Governor shall designate ~~these three local governmental officials~~ seven
4 members on April 1 of years in which an election is held for the office of Governor, or
5 as soon thereafter as possible, and the ~~three local governmental officials~~ seven members
6 designated by the Governor shall serve on the Board in addition to the regular duties of
7 their city, town, or county office: Provided, that if for any reason any ~~local~~
8 ~~governmental official so designated~~ member appointed pursuant to subdivisions (1)
9 through (6) of this subsection vacates the city, town, or county office or employment
10 which ~~he~~ the member held at the time of this designation, the Governor shall designate
11 ~~some other local governmental official~~ another member to serve until the next regular
12 date for the designation of ~~local governmental officials~~ members to serve on the Board."

13 **SECTION 2.** This act is effective when it becomes law, and the additional
14 members shall be designated by the Governor to serve until April 1, 2008, when their
15 successors shall be designated.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

D

HOUSE BILL 1237
PROPOSED COMMITTEE SUBSTITUTE H1237-CSSH-22 [v.1]

5/2/2005 9:12:22 PM

Short Title: Change Local Governmental Retirement Board.

(Public)

Sponsors:

Referred to:

April 18, 2005

A BILL TO BE ENTITLED
AN ACT TO REVISE THE MEMBERSHIP OF THE BOARD OF TRUSTEES OF
THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 128-28(c) reads as rewritten:

"(c) Members of Board. – The Board shall consist of (i) seven members of the Board of Trustees of the Teachers' and State Employees' Retirement System; System appointed under G.S. 135-6(b): the State Treasurer; the Superintendent of Public Instruction; the two members appointed by the General Assembly; and the three members appointed by the Governor who are not members of the teaching profession or State employees; and three local governmental officials (ii) seven members designated by the Governor. Governor:

(1) One local governmental official member shall be a mayor, mayor or a member of the governing body, or a full-time officer body of a city or town participating in the Retirement System, and one local governmental official System;

(2) One member shall be a county commissioner or a full-time officer of a county participating in the Retirement System, and one local governmental official System;

(3) One member shall be a law-enforcement officer employed by an employer participating in the Retirement System. System;

(4) One member shall be a county manager of a county participating in the Retirement System;

(5) One member shall be a city or town manager of a city or town participating in the Retirement System;

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1 (7) One member shall be a retired local governmental employee of an
2 employer.

3 The Governor shall designate ~~these three local governmental officials~~ seven
4 members on April 1 of years in which an election is held for the office of Governor, or
5 as soon thereafter as possible, and the ~~three local governmental officials~~ seven members
6 designated by the Governor shall serve on the Board in addition to the regular duties of
7 their city, town, or county office: Provided, that if for any reason any ~~local~~
8 ~~governmental official so designated~~ member appointed pursuant to subdivisions (1)
9 through (6) of this subsection vacates the city, town, or county office or employment
10 which he the member held at the time of this designation, the Governor shall designate
11 ~~some other local governmental official~~ another member to serve until the next regular
12 date for the designation of ~~local governmental officials~~ members to serve on the Board."

13 **SECTION 2.** This act is effective when it becomes law, and the additional
14 members shall be designated by the Governor to serve until April 1, 2008, when their
15 successors shall be designated.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

D

HOUSE BILL 1237
PROPOSED COMMITTEE SUBSTITUTE H1237-PCS50386-SH-22

Short Title: Change Local Governmental Retirement Board.

(Public)

Sponsors:

Referred to:

April 18, 2005

A BILL TO BE ENTITLED
AN ACT TO REVISE THE MEMBERSHIP OF THE BOARD OF TRUSTEES OF
THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 128-28(c) reads as rewritten:

"(c) Members of Board. – The Board shall consist of (i) seven members of the Board of Trustees of the Teachers' and State Employees' Retirement System; System appointed under G.S. 135-6(b): the State Treasurer; the Superintendent of Public Instruction; the two members appointed by the General Assembly; and the three members appointed by the Governor who are not members of the teaching profession or State employees; and three local governmental officials (ii) seven members designated by the ~~Governor.~~ Governor:

- (1) One local governmental official member shall be a mayor, mayor or a member of the governing body, or a full-time officer body of a city or town participating in the Retirement System, and one local governmental official System;
- (2) One member shall be a county commissioner or a full-time officer of a county participating in the Retirement System, and one local governmental official System;
- (3) One member shall be a law-enforcement officer employed by an employer participating in the Retirement System. System;
- (4) One member shall be a county manager of a county participating in the Retirement System;
- (5) One member shall be a city or town manager of a city or town participating in the Retirement System;
- (6) One member shall be an active local governmental employee of an employer; and

1 (7) One member shall be a retired local governmental employee of an
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3 The Governor shall designate ~~these three local governmental officials~~ seven
4 members on April 1 of years in which an election is held for the office of Governor, or
5 as soon thereafter as possible, and the ~~three local governmental officials~~ seven members
6 designated by the Governor shall serve on the Board in addition to the regular duties of
7 their city, town, or county office: Provided, that if for any reason any ~~local~~
8 ~~governmental official so designated~~ member appointed pursuant to subdivisions (1)
9 through (6) of this subsection vacates the city, town, or county office or employment
10 which he the member held at the time of this designation, the Governor shall designate
11 some other local governmental official another member to serve until the next regular
12 date for the designation of ~~local governmental officials~~ members to serve on the Board."

13 **SECTION 2.** This act is effective when it becomes law, and the additional
14 members shall be designated by the Governor to serve until April 1, 2008, when their
15 successors shall be designated.

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

HB 1237

A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR FOUR ADDITIONAL MEMBERS OF THE BOARD OF TRUSTEES OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

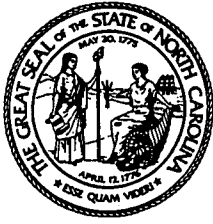
☒ With a favorable report as to the committee substitute bill, which changes the title, unfavorable as to the original bill.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the (House) committee substitute bill/(joint) resolution (No. _____) is placed on the Calendar of _____. (The original bill resolution No. _____) is placed on the Unfavorable Calendar.

_____ The (House) committee substitute bill/(joint) resolution (No. _____) is re-referred to the Committee on _____. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. _____) is placed on the Unfavorable Calendar.



HOUSE BILL 1237: Change Local Governmental Retirement Board

BILL ANALYSIS

Committee: House Pensions and Retirement
Introduced by: Rep. Tucker
Version: PCS to First Edition
H1237-CSSH-22

Date: May 4, 2005
Summary by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 1237 revises the membership of the Board of Trustees for the North Carolina Local Governmental Employees' Retirement System.*

The Proposed Committee Substitute only amends the long title of the bill so that it accurately reflects the content of the bill.

CURRENT LAW:

There are currently 17 members on the North Carolina Local Governmental Employees' Retirement System Board of Trustees.

Current LGERS Board of Trustees Membership

- All 14 members of the Teachers' and State Employees' Retirement System, and
- Three (3) local governmental officials designated by the Governor as follows:
 - One local governmental official that is a mayor, a member of the governing body, or a full-time officer of a city or town participating in the Retirement System,
 - One local governmental official that is a county commissioner or full-time officer of a county participating in the Retirement System, and
 - One local governmental official that is a law-enforcement officer employed by an employer participating in the Retirement System.

BILL ANALYSIS:

House Bill 1237 amends G.S. 128-28(c) to revise the membership of the Board of Trustees for the Local Governmental Employees' Retirement System (LGERS). Under the bill, the overall membership of the Board is reduced from 17 members to 14 members - seven (7) members of the Teachers' and State Employees' Retirement System (TSERS) Board are removed and replaced with four (4) members that must be a county manager, city or town manager, active local governmental employee, and retired local governmental employee.

LGERS Board of Trustees Membership Under HB 1237

- The following seven (7) members of the Board of Trustees of the Teachers' and State Employees' Retirement:
 - the State Treasurer,
 - the Superintendent of Public Instruction,
 - two members appointed by the General Assembly,
 - three members appointed by the Governor who are not members of the teaching profession or State employees; and
- The following seven (7) members designated by the Governor:
 - one member that is a mayor or a member of the governing body of a city or town participating in the Retirement System,
 - one member that is a county commissioner of a county participating in the Retirement System,
 - one member that is a law-enforcement officer employed by an employer participating in the Retirement System,

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

June 1, 2005

The House Committee on Pensions and Retirement met Wednesday, June 1, 2005, 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 B. Allen, Representatives Coleman, Folwell, Kiser, Ross 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 introduced Representative Bell to speak on House Bill 1524. A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR COMPETITIVE SELECTION OF SUPPLEMENTAL INSURANCE PRODUCTS FOR RETIREES. (ATTACHMENT 2)

A Proposed Committee Substitute was offered for House Bill 1524. (Attachment 3) Representative Tolson moved that it be adopted for committee consideration. The motion passed. Representative Allen moved for a favorable report as to the Proposed Committee Substitute #2, unfavorable as to the Committee Substitute #1. The motion passed. Committee Report (Attachment 4)

Committee Chair, Representative Larry Bell, called on Representative McLawhorn to speak on House Bill 59 A BILL TO BE ENTITLED AN ACT TO ENABLE RETIRED SCHOOL GUIDANCE COUNSELORS AND MEDIA SPECIALISTS TO RETURN TO EMPLOYMENT WITH THE PUBLIC SCHOOLS WITHOUT LOSING RETIREMENT BENEFITS. (ATTACHMENT 5) A Proposed Committee Substitute was offered for House Bill 59. (Attachment 6) Representative Wilson moved that it be adopted for committee consideration. The motion passed. Representative Wilson made a motion for a favorable report as to committee substitute bill, which changes the title, unfavorable as to the

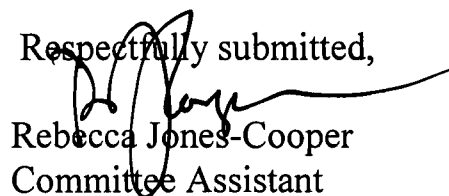
original bill, and recommendation that the committee substitute bill be re-referred to the committee on Appropriations. The motion passed. Committee Report (Attachment 7)

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

Attachments

1. Visitation Registration Sheet
2. HB 1524
3. Proposed Committee Substitute for 1524
4. Committee Report
5. HB 59
6. Proposed Committee Substitute for HB 59
7. Committee Report

Respectfully submitted,


Rebecca Jones-Cooper
Committee Assistant

Representative Wilson

Representative Bell

Committee Chair

Committee Chair

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

**June 1, 2005
10:00 a.m.
Room 544 LOB**

**CHAIRS
REPRESENTATIVES
BELL AND G. WILSON**

CALL TO ORDER

OPENING REMARKS

AGENDA ITEMS:

HB 59-Retired School Professionals Return to Work -Reps. McLawhorn, Bordsen, and Warren

HB 701- Retired School Professionals Return to Work.- Rep. Faison

HB 853 - Reciprocity/Optional Retirement System- Rep. Insko

HB 1524- Competitive Selection/Supplemental Insurance- Reps. Bell and Wilson

HB-1653 -Mandatory COLA for TSERS Retirees-Reps. B. Allen, Coleman, Farmer Butterfield, Faison

ADJOURNMENT

Rebecca Jones (Rep. G. Wilson)

From: Rebecca Jones (Rep. G. Wilson)

Sent: Tuesday, May 31, 2005 2:10 PM

To: Susan Burleson (Rep. McLawhorn); Erin Wynia (Rep. Bordsen); Nancy Willis (Rep. Warren); Katie Jackelen (Rep. Faison); Pam Evans (Rep. Insko); Teresa Saunders (Rep. Coleman); Barbara Hocutt (Rep. Farmer-Butterfield)

Subject: NOTICE - Pensions and Retirement Committee Meeting

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2005-2006 SESSION**

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

DAY & DATE: June 1, 2005

TIME: 10:00 am

LOCATION: 544 LOB

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

HB 59-Retired School Professionals Return to Work -Reps. McLawhorn, Bordsen, Warren

HB 701- Retired School Professionals Return to Work.- Rep. Faison

HB 853 - Reciprocity/Optional Retirement System- Rep. Insko

HB 1524- Competitive Selection/Supplemental Insurance- Reps. Bell and Wilson

**HB-1653 Mandatory COLA for TSERS Retirees-Reps. B. Allen, Coleman,
Farmer**

Butterfield, Faison

Respectfully,

Representatives
Bell and Wilson
Co-chairs

I hereby certify this notice was filed by the committee clerk at the following offices at **2:08 pm** on **May 31, 2005, 2005.**

____Principal Clerk
____Reading Clerk - House Chamber

VISITOR REGISTRATION SHEET

Name of Committee

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME _____

FIRM OR AGENCY AND ADDRESS

Azzie Coker

DIHS / DFS

Molly Ryan

NCSBA

[Signature]

NCRBĒA

Rep. Bill Faison

Ne Legislature

VISITOR REGISTRATION SHEET

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Kari Barsness	OSBM
Ray Gruber	The Herald-Sun
~~John Miller~~	UNC - Chapel Hill
John Miller	Hill Lobby
~~John Miller~~	g
Suzanne Brasley	SEANC
Suzanne Buckler	Gov Office
Leanne Winner	NC SBA
John Miller	Gov Office
Rep. Throck	
Hilary Arthur	NCASA

VISITOR REGISTRATION SHEET

PENSION Ret
Name of Committee

6-1-01
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Gene Carlsby	NCSC4
John Loran	PGF of NC
Katherine Jara	NAPSA
Stephanie Erba	SBE
Linda Suggs	SBE
Emily MacNaughten	NCPAPA
ELLIS HANKINS	NCLM
Lorin Mueller	NC Coalition of Police
Doc Perry - Hill	NC Dept of Public Inst.
Maurice W. Davis	NCAE
Michael Houser	NCAE

VISITOR REGISTRATION SHEET

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Stephanie Coplin	WCDST
Ashlee M Boyce	INTERN
DON Johnson	Guest
Robert Randall	Guest
A.C. Dawson	NCRSP
Pam Presnell Jr.	NCRSP
Richard O'Brien	PFFPNC
David Anders	PFFPNC
Hugh Dan	NCRSP
Jim Blackburn	NC Association of County Commissioners
Ards JD	SENIC

Att. 2

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

2

HOUSE BILL 1524
Committee Substitute Favorable 5/23/05

Short Title: Competitive Selection/Supplemental Insurance. (Public)

Sponsors:

Referred to:

April 21, 2005

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR COMPETITIVE SELECTION OF SUPPLEMENTAL
INSURANCE PRODUCTS FOR RETIREES.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 135 of the General Statutes is amended by adding a new
Article to read:

"Article 7.

"Supplemental Insurance Products for Retirees.

"§ 135-120. Competitive selection of supplemental insurance products paid for by retirees.

(a) Duties of the Department of State Treasurer. – The Department of State Treasurer shall:

- (1) Review insurance products currently offered through retirement benefit payment deduction to retirees from the Teachers' and State Employees' Retirement System, the Local Government Employees Retirement System, the Legislative Retirement System, and the Consolidated Judicial Retirement System to determine if those products meet the needs and desires of retirees.
- (2) Select the types of insurance products that reflect the needs and desires of retirees.
- (3) Competitively select insurance products of the types determined by the Department of State Treasurer to reflect the needs and desires of retirees.

(b) Retirement Benefit Payment Deduction Slots. – The company or companies selected by the Department of State Treasurer shall be permitted to sell through retirement benefit payment deduction only the products specifically approved by the Department of State Treasurer. The assignment by the Department of State Treasurer of a retirement benefit payment deduction slot shall be for a period of not less than two years unless the insurance company violates the terms of the written agreement specified in this subsection. Subject to the provisions of subsection (d) of this section, the insurance company awarded a retirement benefit payment deduction slot shall, pursuant to a written agreement setting out the rights and duties of the insurance company, be afforded an adequate opportunity to solicit retirees. The selected

insurance company shall provide information about retirement benefit payment deduction. The Department of State Treasurer shall determine the format and medium the insurance company may use to provide the information to retirees.

(c) Procedure for Selection of Supplemental Insurance Product Proposals. – The following procedures shall apply to the selection of all supplemental insurance products under this section.

- (1) All supplemental insurance product proposals shall be sealed. The Department of State Treasurer shall open all proposals in public, at which time the proposals become public records open to public inspection.
- (2) After the public opening, a committee of the Department of State Treasurer shall review the proposals and examine the cost, coverage, and quality of the products, the reputation and capabilities of the insurance companies submitting the proposals, and other appropriate criteria. The Department of State Treasurer Committee shall determine which proposal, if any, would meet the needs and desires of the retirees, and may reject any or all proposals. Upon completion of its review, the Committee will present its findings to the Board of Trustees, and make recommendations as to the awarding of a service contract. Upon acceptance of the Committee's findings and recommendations, the Board of Trustees ~~and shall award a contract to make retirement benefit payment deductions slot~~ for supplemental insurance products to the company submitting the proposal that best meets ~~those~~ the needs and desires of the retirees. ~~The Department of State Treasurer may reject any or all proposals.~~
- (3) A company may seek to modify or withdraw a proposal only after the public opening and only on the basis that the proposal contains an unintentional clerical error as opposed to an error in judgment. A company seeking to modify or withdraw a proposal shall submit to the Department of State Treasurer a written request, with facts and evidence in support of its position, prior to the award of the retirement benefit payment deduction slot, but not later than two days after the public opening of the proposals. The Department of State Treasurer shall promptly review the request, examine the nature of the error, and determine whether to permit or deny the request.

(d) Confidentiality of Names and Addresses of Retired State and Local Employees. – The Department of State Treasurer shall provide the selected insurance company with the names and addresses of retirees in order for the company to provide information to retirees about purchasing their selected insurance product. The selected company shall keep the names and addresses of the retirees confidential and shall not provide the information to any third party or use the information to solicit retirees for insurance products other than those selected by the Department of State Treasurer. The insurance company shall provide retirees with each solicitation the option to elect not to receive any future solicitations by providing a preaddressed and postage prepaid card the retiree may return to the insurance company.

(e) Clerical and Professional Staff; Administrative Costs. – The Department of State Treasurer may employ clerical and professional staff to assist the Department of State Treasurer in carrying out its duties and responsibilities under this section. The administrative costs to the Department of State Treasurer of carrying out its duties and responsibilities under this section may be charged to participants or deducted from participants' accounts under nondiscriminatory procedures established by the Department of State Treasurer.

(f) Option to Continue Supplemental Insurance. – At the termination of any contract

entered into under this section, or when retirement benefit payment deduction is no longer available for a product, the insurance company shall provide covered retirees the option to continue supplemental insurance on a direct billing basis. When retirement benefit payment deduction is no longer available, the insurance company may not terminate insurance products purchased under the retirement benefit payment deduction plan without the retiree's specific written consent solely because the premium is no longer deducted from retirement benefit payments."

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

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

D

HOUSE BILL 1524
Committee Substitute Favorable 5/23/05
PROPOSED COMMITTEE SUBSTITUTE H1524-PCS70506-RO-30

Short Title: Competitive Selection/Supplemental Insurance.

(Public)

Sponsors:

Referred to:

April 21, 2005

A BILL TO BE ENTITLED
AN ACT TO PROVIDE FOR COMPETITIVE SELECTION OF SUPPLEMENTAL
INSURANCE PRODUCTS FOR RETIREES.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 135 of the General Statutes is amended by adding a
new Article to read:

"Article 7.

"Supplemental Insurance Products for Retirees.

"§ 135-120. Competitive selection of supplemental insurance products paid for by
retirees.

(a) Duties of the Department of State Treasurer. – The Department of State
Treasurer shall:

(1) Review insurance products currently offered through retirement
benefit payment deduction to retirees from the Teachers' and State
Employees' Retirement System, the Local Governmental Employees'
Retirement System, the Legislative Retirement System, and the
Consolidated Judicial Retirement System to determine if those
products meet the needs and desires of retirees.

(2) Select the types of insurance products that reflect the needs and desires
of retirees.

(3) Competitively select insurance products of the types determined by the
Department of State Treasurer to reflect the needs and desires of
retirees.

(b) Retirement Benefit Payment Deductions. – The company or companies
selected by the Department of State Treasurer shall be permitted to sell through
retirement benefit payment deduction only the products specifically approved by the
Department of State Treasurer. The assignment by the Department of State Treasurer of

1 a retirement benefit payment deduction shall be for a period of not less than two years
2 unless the insurance company violates the terms of the written agreement specified in
3 this subsection. Subject to the provisions of subsection (d) of this section, the insurance
4 company awarded a retirement benefit payment deduction shall, pursuant to a written
5 agreement setting out the rights and duties of the insurance company, be afforded an
6 adequate opportunity to solicit retirees. The selected insurance company shall provide
7 information about retirement benefit payment deduction. The Department of State
8 Treasurer shall determine the format and medium the insurance company may use to
9 provide the information to retirees.

10 (c) Procedure for Selection of Supplemental Insurance Product Proposals. – The
11 following procedures shall apply to the selection of all supplemental insurance products
12 under this section:

13 (1) All supplemental insurance product proposals shall be sealed. The
14 Department of State Treasurer shall open all proposals in public, at
15 which time the proposals become public records open to public
16 inspection.

17 (2) After the public opening, a committee designated by the Department of
18 State Treasurer shall review the proposals and examine the cost,
19 coverage, and quality of the products, the reputation and capabilities of
20 the insurance companies submitting the proposals, and other
21 appropriate criteria. The committee shall determine which proposal, if
22 any, would meet the needs and desires of the retirees, and may reject
23 any or all proposals. Upon completion of its review, the committee
24 shall present its findings to the Board of Trustees and make
25 recommendations as to the awarding of a service contract. Upon
26 acceptance of the committee's findings and recommendations, the
27 Board of Trustees shall award a contract to make retirement benefit
28 deductions for supplemental insurance products to the company
29 submitting the proposal that best meets the needs and desires of the
30 retirees.

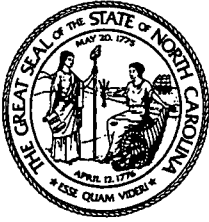
31 (3) A company may seek to modify or withdraw a proposal only after the
32 public opening and only on the basis that the proposal contains an
33 unintentional clerical error as opposed to an error in judgment. A
34 company seeking to modify or withdraw a proposal shall submit to the
35 Department of State Treasurer a written request, with facts and
36 evidence in support of its position, prior to the award of the retirement
37 benefit payment deduction slot, but not later than two days after the
38 public opening of the proposals. The Department of State Treasurer
39 shall promptly review the request, examine the nature of the error, and
40 determine whether to permit or deny the request.

41 (d) Confidentiality of Names and Addresses of Retired State and Local
42 Employees. – The Department of State Treasurer shall provide the selected insurance
43 company with the names and addresses of retirees in order for the company to provide
44 information to retirees about purchasing their selected insurance product. The selected

1 company shall keep the names and addresses of the retirees confidential and shall not
2 provide the information to any third party or use the information to solicit retirees for
3 insurance products other than those selected by the Department of State Treasurer. The
4 insurance company shall provide retirees with each solicitation the option to elect not to
5 receive any future solicitations by providing a preaddressed and postage prepaid card
6 the retiree may return to the insurance company.

7 (e) Option to Continue Supplemental Insurance. – At the termination of any
8 contract entered into under this section, or when retirement benefit payment deduction
9 is no longer available for a product, the insurance company shall provide covered
10 retirees the option to continue supplemental insurance on a direct billing basis. When
11 retirement benefit payment deduction is no longer available, the insurance company
12 may not terminate insurance products purchased under the retirement benefit payment
13 deduction plan without the retiree's specific written consent solely because the premium
14 is no longer deducted from retirement benefit payments."

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



HOUSE BILL 1524: Competitive Selection/Supplemental Insurance

BILL ANALYSIS

Committee: House Pensions and Retirement
Introduced by: Reps. Wilson, Bell, Coleman
Version: PCS to Second Edition
H1524-CSRO-30[v.1]

Date: May 31, 2005
Summary by: Karen Cochrane-Brown
Committee Counsel

SUMMARY: *House Bill 1524 would provide statutory authorization to the Department of State Treasurer to select supplemental insurance products that may be offered to State retirees and the premiums deducted from the retirees' pension benefit payments. While there is no current explicit statutory authorization for this practice, the Department has been providing this service to retirees for about 20 years.*

The PCS clarifies the procedure by authorizing the Department of State Treasurer to designate a committee to review proposals and make findings and recommendations. The PCS also clarifies that the Board of Trustees of the Retirement System would make the final decision to award a contract.

CURRENT LAW: There is no current statutory authorization for the Department of State Treasurer to select supplemental insurance products and allow retirees to pay for the products by deductions from their retirement benefits payments. However, G.S. 58-31-60 authorizes the head of each State government employee payroll unit to offer payroll deduction for insurance products. The State also allows employees to purchase supplemental insurance through the Flex Plan.

BILL ANALYSIS: The bill creates a new Article 7 in Chapter 135. Much of the language is taken from G.S. 58-31-60. It also directs the Department of State Treasurer to review insurance products offered to retirees through retirement benefit payment deduction and determine if those products meet the needs of current retirees. It also directs the Department to select the types of insurance products that meet retiree needs and competitively select those products. The bill provides specific statutory authorization for the Department to deduct premiums for specified insurance products from retirees' retirement benefit payments.

The Department would solicit bid proposals through a sealed bid process. Once the bid period ended, the bids would be opened and would be public records. A committee designated by the Department would review the bids and make findings and recommendations to the Retirement System Board of Trustees. The Board of Trustees would award the contract to the insurer that met the needs and desires of the retirees. The contract with the insurer would be for not less than 2 years, and the insurer would be allowed to solicit retiree participation from current retirees.

The Department would provide the names and addresses of the retirees to the insurer, but the insurer would be prohibited from using the information to solicit business for any products that were not eligible to be paid for with retirement benefit payment deductions. A retiree could opt to stop receiving solicitations. When a contract with an insurance company expires, the company would be required to keep any retirees who chose to remain with the company.

House Bill 1524

Page 2

BACKGROUND: The Department currently has a program that implements many of the provisions of this bill. The program has been in place for over 20 years and currently allows about 25,000 retirees to purchase Dental and Vision insurance under a group policy and pay those premiums through deductions from their retirement benefit payments.

EFFECTIVE DATE: The act would become effective when the bill becomes law.

Kory Goldsmith, counsel to the House Insurance Committee, substantially contributed to this summary.

H1524e2-SMRO-CSRO-30v1

Att. 4

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☒ Committee Substitute for

HB 1524

A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR COMPETITIVE SELECTION OF SUPPLEMENTAL INSURANCE PRODUCTS FOR RETIREES.

☒ With a favorable report as to the committee substitute bill 2, unfavorable as to Committee Substitute Bill 1.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the (House) committee substitute bill/(joint) resolution (No. _____) is placed on the Calendar of _____. (The original bill resolution No. _____) is placed on the Unfavorable Calendar.

_____ The (House) committee substitute bill/(joint) resolution (No. _____) is re-referred to the Committee on _____. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. _____) is placed on the Unfavorable Calendar.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

1

HOUSE BILL 59

Short Title: Retired School Professionals Return to Work.

(Public)

Sponsors: Representatives McLawhorn, Bordsen, Warren (Primary Sponsors); Adams, Alexander, B. Allen, Coleman, Faison, Farmer-Butterfield, Glazier, Goforth, Harrison, Jones, Langdon, LaRoque, Lewis, Lucas, Pate, Tolson, and Williams.

Referred to: Pensions and Retirement.

February 3, 2005

A BILL TO BE ENTITLED
AN ACT TO ENABLE RETIRED SCHOOL GUIDANCE COUNSELORS AND
MEDIA SPECIALISTS TO RETURN TO EMPLOYMENT WITH THE PUBLIC
SCHOOLS WITHOUT LOSING 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 months and has not been employed in any capacity, except as a substitute teacher or a ~~part-time tutor~~, other substitute employee, 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~~ professional educator 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~~ professional educator" means a beneficiary of the Teachers' and State Employees' Retirement System of North Carolina ~~who~~ who:

- a. Was previously employed as a (i) teacher, (ii) school guidance counselor, or (iii) school media specialist,
- b. has ~~Has~~ been retired at least six months,
- c. has ~~Has~~ not been employed in any capacity, other than as a substitute ~~teacher or a part-time tutor~~, teacher or other substitute employee, with a local board of education for at least six months, immediately preceding the effective date of reemployment,
- d. is ~~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
- e. ~~who~~ Who is employed to teach as provided in G.S. 135-3(8)c.

A retired ~~teacher~~ professional educator who is a teacher as defined in subdivision (6) of this subsection shall be treated the same as a probationary teacher except that (i) a retired ~~teacher~~ professional educator is not eligible for career status and (ii) the performance of a retired ~~teacher~~ professional educator 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. G.S. 115C-316(d) reads as rewritten:

1 "(d) A local board of education may pay a retired ~~teacher~~ professional educator, as
2 that term is defined in G.S. 115C-325(a)(5a) no more than the employee would have
3 received on the ~~teacher~~ appropriate salary schedule, excluding longevity, had the
4 employee not retired."

5 **SECTION 4.** Subsection (d) of Section 28.24 of S.L. 1998-212, as rewritten
6 by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as
7 rewritten:

8 "(d) This section becomes effective January 1, 1999, and expires June 30, ~~2005-~~
9 2006."

10 **SECTION 5.** The introductory language of Section 67 of S.L. 1998-217, as
11 rewritten by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124,
12 reads as rewritten:

13 "**SECTION 67.** Effective January 1, 1999, through June 30, ~~2005-~~2006.
14 G.S. 135-3(8)c., as rewritten by Section 28.24(a) of S.L. 1998-212 reads as rewritten:"

15 **SECTION 6.** Subsection (b) of Section 67.1 of S.L. 1998-217, as rewritten
16 by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as
17 rewritten:

18 "(b) This section becomes effective January 1, 1999, and expires June 30, ~~2005-~~
19 2006."

20 **SECTION 7.** Subsection (c) of Section 32.25 of S.L. 2001-424, as rewritten
21 by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as
22 rewritten:

23 "**SECTION 32.25.(c)** This section becomes effective July 1, 2001, and expires June
24 30, ~~2005-~~ 2006."

25 **SECTION 8.** This act becomes effective June 30, 2005.

AH-6

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

D

HOUSE BILL 59
PROPOSED COMMITTEE SUBSTITUTE H59-PCS50459-SH-29

Short Title: Retired School Professionals Return to Work.

(Public)

Sponsors:

Referred to:

February 3, 2005

1 A BILL TO BE ENTITLED
2 AN ACT TO ENABLE RETIRED SCHOOL GUIDANCE COUNSELORS, MEDIA
3 SPECIALISTS, AND PSYCHOLOGISTS TO RETURN TO EMPLOYMENT
4 WITH THE PUBLIC SCHOOLS WITHOUT LOSING RETIREMENT BENEFITS.

5 The General Assembly of North Carolina enacts:

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

7 "c. Should a beneficiary who retired on an early or service
8 retirement allowance under this Chapter be reemployed, or
9 otherwise engaged to perform services, by an employer
10 participating in the Retirement System on a part-time,
11 temporary, interim, or on a fee-for-service basis, whether
12 contractual or otherwise, and if such beneficiary earns an
13 amount during the 12-month period immediately following the
14 effective date of retirement or in any calendar year which
15 exceeds fifty percent (50%) of the reported compensation,
16 excluding terminal payments, during the 12 months of service
17 preceding the effective date of retirement, or twenty thousand
18 dollars (\$20,000), whichever is greater, as hereinafter indexed,
19 then the retirement allowance shall be suspended as of the first
20 day of the month following the month in which the
21 reemployment earnings exceed the amount above, for the
22 balance of the calendar year. The retirement allowance of the
23 beneficiary shall be reinstated as of January 1 of each year
24 following suspension. The amount that may be earned before
25 suspension shall be increased on January 1 of each year by the
26 ratio of the Consumer Price Index to the Index one year earlier,
27 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, other substitute employee,~~ 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~~ professional educator 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~~ professional educator" means a beneficiary of the Teachers' and State Employees' Retirement System of North Carolina ~~who~~ who:

- a. Was previously employed as a (i) teacher, (ii) school guidance counselor, (iii) school media specialist, or (iv) school psychologist,
- b. ~~has~~ Has been retired at least six months,
- c. ~~has~~ Has not been employed in any capacity, other than as a substitute ~~teacher or a part-time tutor,~~ teacher or other substitute employee, with a local board of education for at least six months, immediately preceding the effective date of reemployment,
- d. is ~~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
- e. ~~who~~ Who is employed ~~to teach~~ as provided in G.S. 135-3(8)c.

A retired ~~teacher~~ professional educator who is a teacher as defined in subdivision (6) of this subsection shall be treated the same as a probationary teacher except that (i) a retired ~~teacher~~ professional educator is not eligible for career status and (ii) the performance of a retired ~~teacher~~ professional educator 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. G.S. 115C-316(d) reads as rewritten:

"(d) A local board of education may pay a retired ~~teacher~~ professional educator, as that term is defined in G.S. 115C-325(a)(5a) no more than the employee would have

1 received on the teacher appropriate salary schedule, excluding longevity, had the
2 employee not retired."

3 **SECTION 4.** Subsection (d) of Section 28.24 of S.L. 1998-212, as rewritten
4 by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as
5 rewritten:

6 "(d) This section becomes effective January 1, 1999, and expires June 30, ~~2005-~~
7 2006."

8 **SECTION 5.** The introductory language of Section 67 of S.L. 1998-217, as
9 rewritten by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124,
10 reads as rewritten:

11 "SECTION 67. Effective January 1, 1999, through June 30, ~~2005-~~2006,
12 G.S. 135-3(8)c., as rewritten by Section 28.24(a) of S.L. 1998-212 reads as rewritten:"

13 **SECTION 6.** Subsection (b) of Section 67.1 of S.L. 1998-217, as rewritten
14 by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as
15 rewritten:

16 "(b) This section becomes effective January 1, 1999, and expires June 30, ~~2005-~~
17 2006."

18 **SECTION 7.** Subsection (c) of Section 32.25 of S.L. 2001-424, as rewritten
19 by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as
20 rewritten:

21 "SECTION 32.25.(c) This section becomes effective July 1, 2001, and expires June
22 30, ~~2005-~~2006."

23 **SECTION 8.** Notwithstanding any other provision of law, each local school
24 administrative unit shall pay to the Teachers' and State Employees' Retirement System a
25 Reemployed Teacher Contribution Rate of eleven and seventy-hundredths percent
26 (11.70%) as a percentage of covered salaries that the retired professional educators, who
27 are exempt from the earnings cap, are being paid. Each local school administrative unit
28 shall report monthly to the Retirement Systems Division on payments made pursuant to
29 this subsection.

30 Notwithstanding any other provision of law, any portion of the payment made
31 by a local school administrative unit to a reemployed professional educator who is
32 exempt from the earnings cap, consisting of salary plus the Reemployed Teacher
33 Contribution Rate, that exceeds the State-supported salary level for that position, shall
34 be paid from local funds.

35 **SECTION 9.** This act becomes effective June 30, 2005.



**North Carolina General Assembly
Legislative Services Office**

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

March 17, 2005

MEMORANDUM

TO: Representative Marion McLawhorn
Representative Edith Warren
Representative Alice Bordsen

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 59

Re: Extends the sunset on reemployed teachers until June 30, 2006 and expands eligibility to include retired guidance counselors and media specialists.

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
Representatives Bell and Wilson

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Mellon, March 14, 2005
- (3) Actuarial Note, Hartman & Associates, February 18, 2005

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 59 (First Edition)

SHORT TITLE: Retired School Professionals Return to Work.

SPONSOR(S): Representatives McLawhorn, Warren, and Bordsen

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

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

EFFECTIVE DATE: July 1, 2005

BILL SUMMARY: The law now permits re-employment of retired public school employees to teach, allowing them to earn salary on the regular salary schedule without reducing their retirement benefits. This provision is scheduled to expire June 30, 2005. This bill changes the special provision's reference from "retired teacher" to "retired professional educator" and defines the term to include school guidance counselors and school media specialists. It also extends the sunset on the provision to June 30, 2006.

ESTIMATED IMPACT:

Retirement System Actuary: Mellon estimates the cost to be 0.03% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$2.4M	\$2.5M	\$2.7M	\$2.8M	\$2.9M
Highway Fund	\$0.1M	\$0.1M	\$0.1M	\$0.1M	\$0.1M
Receipt Funds	<u>\$0.8M</u>	<u>\$0.8M</u>	<u>\$0.9M</u>	<u>\$0.9M</u>	<u>\$1.0M</u>
TOTAL COST	\$3.3M	\$3.5M	\$3.7M	\$3.8M	\$4.0M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.04% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$3.2M	\$3.4M	\$3.5M	\$3.7M	\$3.9M
Highway Fund	\$0.2M	\$0.2M	\$0.2M	\$0.2M	\$0.2M
Receipt Funds	<u>\$1.1M</u>	<u>\$1.1M</u>	<u>\$1.2M</u>	<u>\$1.2M</u>	<u>\$1.3M</u>
TOTAL COST	\$4.4M	\$4.7M	\$4.9M	\$5.1M	\$5.3M

There are available gains of 0.47% of payroll in the Teachers' and State Employees' Retirement System to fund this sunset extension, without increasing the contribution rate.

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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 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

TECHNICAL CONSIDERATIONS: The estimated cost is determined by using the assumed rates of retirement versus the actual rates of retirement for members of this group.

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 16, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices



Human Resources & Investor Solutions

March 14, 2005

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 59 - Revised

Dear Mr. Joyal:

We have received your letter of February 8 regarding House Bill 59 which affects the Teachers' and State Employees' Retirement System.

House Bill 59 appears to extend eligibility for the *salary cap exemption for teachers*, implemented in January 1999, to include School Guidance Counselors and School Media Specialists. While the legislation in G.S. 115C-325(a)(5a), subsection (e) continues to specify that the exemption is for those retirees who have been retired at least six months who return to teach, we assumed that the legislation intends to allow other "Professional educators" to return to work in their designated professional capacity. Currently, the legislation does not actually change the current provisions to allow this.

Currently, the earnings exemption applies to a member who has been retired at least six months and has not been employed with a public school except as a substitute teacher or a part-time tutor. House Bill 59 also changes the earnings exemption qualifications from *part-time tutor*, to *other substitute employee*. The legislation does not appear to define what or who constitutes a substitute employee, nor in what capacity substitute employees are permitted to return with an earnings exemption.

Finally, House Bill 59 renews the salary cap exemption until June 30, 2006. It is currently slated to sunset on June 30, 2005.

Assuming that the currently required six month waiting period is being administered by local school districts in the manner prescribed by the statutes, this legislation would increase the unfunded accrued liability by approximately \$18,000,000. The cost of this legislation is estimated to be 0.03% of payroll, or approximately \$3,300,000 in the first year, based on estimated state payroll of \$11.1 billion for the 2005/2006 fiscal year and 9-year amortization of the additional unfunded accrued liability. The estimated cost of legislation that annually extends the sunset date one year will vary from year to year. In addition, as the sunset provisions continue to be extended each year, future retirement patterns will continue to change and,

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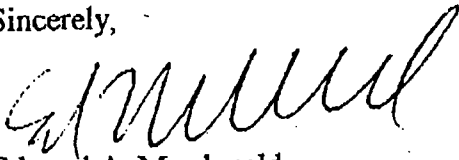
A Mellon Financial Company.™

Mr. J. Brett Joyal
March 14, 2005
Page 2

therefore, the assumptions used to value this proposal will likely need to be changed in the future.

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 RET03-180

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

February 18, 2005

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

Re: House Bill 59: An Act to Enable Retired School Guidance
Counselors and Media Specialists to Return to Employment Without
Losing Retirement Benefits and to Extend the Sunset Date

Dear Mr. Moore:

Currently, G.S. 135-3(8)c provides that if a member of the Teachers' and State Employees' Retirement System (TSERS) 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 expires June 30, 2005.

This bill would extend the exclusion to June 30, 2006 and would also apply the earnings exclusion to school guidance counselors and media specialists.

Extending the earnings exclusion for reemployment will likely accelerate the retirement of members 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 will be paid for a longer period but at a lower rate than if the employee continued in active service. The estimated financial impact on the TSERS is a cost of 0.04% of payroll.

This estimate reflects an increase in the normal cost rate and provides for amortization of additional accrued liabilities over a 9 year period. Computations are based on the most recent actuarial valuation prepared as of December 31, 2003, and data you provided on

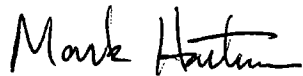
Mr. Stanley Moore
February 18, 2005

Page 2

TSERS members who are teachers, guidance counselors, and media specialists.

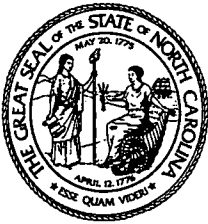
If you have any questions, let me know.

Sincerely,

A handwritten signature in cursive script that reads "Mark V. Hartman".

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

MVH/jj



HOUSE BILL 59: Retired School Professionals Return to Work

BILL ANALYSIS

Committee:	House Pensions and Retirement	Date:	June 1, 2005
Introduced by:	Reps. McLawhorn, Bordsen, Warren	Summary by:	Theresa Matula
Version:	PCS to First Edition		Committee Staff
	H59-CSSH-29		

SUMMARY: *The Proposed Committee Substitute for House Bill 59 expands reemployment without earnings limitations to retired school guidance counselors, school media specialists, and school psychologists, in addition to the current allowance for teachers, and extends the expiration date of the reemployment provisions to June 30, 2006. The act would become effective June 30, 2005.*

CURRENT LAW: The current law, which expires June 30, 2005, allows retired teachers to be reemployed without being subject to the earnings cap.

BILL ANALYSIS: The Proposed Committee Substitute (PCS) for House Bill 59 amends G.S. 135-3(8)c. to expand the provision that exempts beneficiaries from the earnings cap by replacing retired "teacher" with retired "professional educator." G.S. 115C-325(a)(5a) is amended to provide that a retired professional educator means a beneficiary of the Teachers' and State Employees' Retirement System who:

- was previously employed as a (i) teacher, (ii) school guidance counselor, (iii) school media specialist, or (iv) school psychologist (*the PCS includes school psychologist which was not in the original bill*),
- has been retired at least six months;
- has not been employed in any capacity other than a substitute teacher or other substitute employee (currently part time tutor),
- is determined by a local board of education to have had satisfactory performance during the last year of employment, and
- who is employed by a local school administrative unit as provided in G.S. 135-3(8)c.

G.S. 115C-316(d) is amended to provide that a local board of education may pay a retired professional educator no more than the employee would have received on the appropriate salary schedule, excluding longevity, had the employee not retired.

Sections 4-7 of the PCS extend the sunset on the reemployment provisions from June 30, 2005 to June 30, 2006.

BACKGROUND: In response to a request by the General Assembly, the North Carolina Department of State Treasurer issued, *Report to the General Assembly: Evaluation of North Carolina's Policy Governing State Retirees Returning to Service*. This report examines issues related to lifting the salary cap for retirees who return to work including: the State's return to work policy, the salary cap exemption for teachers, an impact analysis of salary cap exemptions and implications for further amendments. The report points out that to date there has not been a comprehensive review to determine if the salary cap exemption has been an effective strategy for reducing teacher shortages and that, "At a minimum, the salary cap exemption alone is not likely to sufficiently reduce any existing teacher shortages, and it entails costs."¹ The report states that, "Permanently adopting and expanding a personnel strategy that lifts the salary cap for retirees must be weighed against the costs it generates."² The report acknowledges that North Carolina must meet its personnel needs, "Yet it is in the State's best interest that policies impacting the solvency of the Retirement System are thoroughly evaluated prior to implementation."³

¹ *Report to the General Assembly: Evaluation of North Carolina's Policy Governing State Retirees Returning to Service*, February 2005, page 16.

² *Ibid.*, page 17.

³ *Ibid.*, page 17.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 59 (First Edition)

SHORT TITLE: Retired School Professionals Return to Work.

SPONSOR(S): Representatives McLawhorn, Warren, and Bordsen

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

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

EFFECTIVE DATE: July 1, 2005

BILL SUMMARY: The law now permits re-employment of retired public school employees to teach, allowing them to earn salary on the regular salary schedule without reducing their retirement benefits. This provision is scheduled to expire June 30, 2005. This bill changes the special provision's reference from "retired teacher" to "retired professional educator" and defines the term to include school guidance counselors and school media specialists. It also extends the sunset on the provision to June 30, 2006.

ESTIMATED IMPACT:

Retirement System Actuary: Mellon estimates the cost to be 0.03% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$2.4M	\$2.5M	\$2.7M	\$2.8M	\$2.9M
Highway Fund	\$0.1M	\$0.1M	\$0.1M	\$0.1M	\$0.1M
Receipt Funds	<u>\$0.8M</u>	<u>\$0.8M</u>	<u>\$0.9M</u>	<u>\$0.9M</u>	<u>\$1.0M</u>
TOTAL COST	\$3.3M	\$3.5M	\$3.7M	\$3.8M	\$4.0M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.04% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$3.2M	\$3.4M	\$3.5M	\$3.7M	\$3.9M
Highway Fund	\$0.2M	\$0.2M	\$0.2M	\$0.2M	\$0.2M
Receipt Funds	<u>\$1.1M</u>	<u>\$1.1M</u>	<u>\$1.2M</u>	<u>\$1.2M</u>	<u>\$1.3M</u>
TOTAL COST	\$4.4M	\$4.7M	\$4.9M	\$5.1M	\$5.3M

There are available gains of 0.47% of payroll in the Teachers' and State Employees' Retirement System to fund this sunset extension, without increasing the contribution rate.

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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 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

TECHNICAL CONSIDERATIONS: The estimated cost is determined by using the assumed rates of retirement versus the actual rates of retirement for members of this group.

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 16, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

HB 59 A BILL TO BE ENTITLED AN ACT TO ENABLE RETIRED SCHOOL GUIDANCE COUNSELORS AND MEDIA SPECIALISTS TO RETURN TO EMPLOYMENT WITH THE PUBLIC SCHOOLS WITHOUT LOSING RETIREMENT BENEFITS.

☒ With a favorable report as to the committee substitute bill, *which changes the title* unfavorable as to the original bill, and recommendation that the committee substitute bill # be re-referred to the Committee on Appropriations

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the (House) committee substitute bill/(joint) resolution (No. _____) is placed on the Calendar of _____. (The original bill resolution No. _____) is placed on the Unfavorable Calendar.

_____ The (House) committee substitute bill/(joint) resolution (No. _____) is re-referred to the Committee on _____. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. _____) is placed on the Unfavorable Calendar.

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
June 22, 2005

The House Committee on Pensions and Retirement met at 10:00 a.m. on Wednesday, June 22, 2005 in Room 544 of the Legislative Office Building. The following **Representatives** were present: **Chairs: Bell, and Wilson; Vice Chair: B. Allen; Members: Coleman, Folwell, Kiser, Ross, and Tolson.**

Fiscal Research - Stanley Moore; Research staff persons included: **Attorney** - Karen Cochrane-Brown; **Legislative Analyst** - Theresa Matula; **Legislative Committee Assistants** - Carolyn Edwards and Rebecca Jones-Cooper. The Agenda, Pages/Sergeant at Arms and Visitor Registration Sheets are attached and incorporated into the minutes.

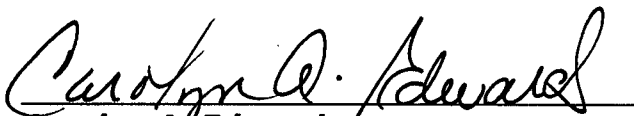
Chairman Bell called **Representative Faison** to speak on HB 701- A BILL TO BE ENTITLED AN ACT TO ENABLE RETIRED SCHOOL PRINCIPALS, ASSISTANT PRINCIPALS, AND CENTRAL OFFICE ADMINISTRATIVE PERSONNEL TO RETURN TO EMPLOYMENT WITH THE PUBLIC SCHOOLS WITHOUT LOSING RETIREMENT BENEFITS.

Representative Tolson motioned to have the Proposed Committee Substitute H701-CSSH-30 [v.1] before the committee. A verbal vote was taken and the motion carried.

Representative Kiser motioned that HB 701 receive a favorable report as to the committee substitute bill, unfavorable as to the original bill, and recommendation that the committee substitute bill be re-referred to the Committee on Appropriations.

Chairmen Bell adjourned the meeting

Respectfully submitted,


Carolyn A. Edwards
Committee Assistant


Representative Larry M. Bell
Presiding Chair

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2005-2006 SESSION**

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

DAY & DATE: **Wednesday, June 22, 2005**

TIME: **10:00 AM**

LOCATION: **LOB 544**

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

HB 247 – RETIRED TEACHERS WORK /NO PENALTY – REP. PRESTON

HB 701 – RETIRED SCHOOL PROFESSIONALS RETURN TO WORK – REP. FAISON

HB 1653 – MANDATORY COLA FOR TSERS RETIREES – REP. ALLEN

Respectfully,
Representatives Bell and Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **3:00 A.M. on Monday, June 20, 2005.**

____Principal Clerk
____Reading Clerk - House Chamber

Carolyn A. Edwards (Committee Assistant)

Tape Jay

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

**June 22, 2005
10:00 P.M.
Room 544 LOB**

CHAIRS

Representative Larry Bell

Representative Eugene Wilson

CALL TO ORDER

OPENING REMARKS

BILLS TO BE CONSIDERED:

HB 701 – RETIRED SCHOOL PROFESSIONALS RETURN TO WORK – REP. FAISON

HB 1653 – MANDATORY COLA FOR TSERS RETIREES – REP. ALLEN

HB 247 – RETIRED TEACHERS WORK /NO PENALTY – REP. PRESTON

ADJOURNMENT

North Carolina General Assembly
Long Session 2005
June 22, 2005

PAGES INFORMATION SHEET

<u>NAME</u>	<u>COUNTY</u>	<u>REPRESENTATIVE</u>
1. <u>ALEX MARTIN CLEVELAND</u>	<u>REP. MOORE</u>	
2. <u>MEGAN BARTON ALAMANCE</u>	<u>REP. BURCHSEN</u>	
3. <u>COURTNEY JACKSON DUPLIN</u>	<u>REP. TUCKER</u>	
4. <u>MATTHEW KAYLOR McDOWELL</u>	<u>REP. GILLESPIE</u>	
5. <u>PANOS HARAKIS GASTON</u>	<u>REP. CURRENT</u>	

SERGEANT AT ARMS

NAME

1. EARL COKER
2. JAY CALLAWAY
3. FRED HINES
4. CHARLES WILLIAMS

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

June 22, 2005

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Celia Wilson

SEANR

Ashlee Boyce

INTERN (REP. COLEMAN)

Stephanie Erba

SBE intern

Pam Leaman

OSBM

Bill STOCKARD

OSBM

Debra Bryson

Treasurer

Joe Parry-Hill

NC Dept of Public Inst.

Ann McArthur

Governor's Office

Stephanie Caph

NC DOST

Paul O'Brien

PFFPNC

Paul Anders

PFFPNC

Linda Suggs

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

June 22, 2005

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Ray Presnell	NC Retires School Personnel
Mitch Leonard	SEANC
Cleve WOOLARD	STATE RETIREE
Jean Rhodes	SEANC
ROBERT W. BUCHANAN	STATE RETIREE
Ardis Watkins	SEANC
Tom Harris	"
Carri DERRICK	SEANC
DANA COPE	SEANC
BRUCE ANDERSON	SEANC
Debbie Bowden	SEANC
Paul Meyer	NCACL
Joe McChesney	McChesney's Construction
Anthony Rutledge	NRA

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

June 22, 2005

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Michael Houser	NCAE
John Mays	GOV OFFICE
Mary Joemma	NCAE
Harvey Daves	NCAE
Kari Barsness	OSBM
Katie Foster	SEIU/SEANC
Charles Clark	SEIU/SEANC
Suzanne Beasley	SEANC
Brian Williams	SEANC
Hyatt Hume	NCPAPA
Katherine Joyce	NCAASA
Eddie Caldwell	NC Sheriff Assn
Joel Maynard	Chas/ Mech Schneider

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. 1

H. B. No. 701

S. B. No. _____

COMMITTEE SUBSTITUTE ☒

DATE 6-22-05

Amendment No. _____

(to be filled in by
Principal Clerk)

(Rep.) Tolson
(Sen.) _____

1 moves to amend the bill on page 2, lines 25-27

2 () WHICH CHANGES THE TITLE

3 by rewriting lines 25-27 to read:

4 " c. Has not been employed in any
5 capacity with a local board of
6 education for at least six "

7 and on lines 4-5 by rewriting the lines to read:
8 "Capacity, except as a substitute teacher or
9 a part time tutor, with a public school for
10 at least six "

12 _____

13 _____

14 _____

15 _____

16 _____

17 _____

18 _____

19 _____

SIGNED _____

[Signature]

ADOPTED _____ FAILED _____ TABLED _____

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

D

HOUSE BILL 701

PROPOSED COMMITTEE SUBSTITUTE H701-PCS50468-SH-30

Short Title: Retired School Professionals Return to Work.

(Public)

Sponsors:

Referred to:

March 17, 2005

A BILL TO BE ENTITLED

AN ACT TO ENABLE RETIRED SCHOOL PRINCIPALS, ASSISTANT PRINCIPALS, AND CENTRAL OFFICE ADMINISTRATIVE PERSONNEL TO RETURN TO EMPLOYMENT WITH THE PUBLIC SCHOOLS WITHOUT LOSING 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%).

1 The computation of postretirement earnings of a beneficiary
2 under this sub-subdivision, G.S. 135-3(8)c., who has been
3 retired at least six months and has not been employed in any
4 ~~capacity, except as a substitute teacher or a part-time tutor,~~
5 capacity with a public school for at least six months
6 immediately preceding the effective date of reemployment,
7 shall not include earnings while the beneficiary is employed to
8 teach on a substitute, interim, or permanent basis in a public
9 school. The Department of Public Instruction shall certify to the
10 Retirement System that a beneficiary is employed ~~to teach~~ by a
11 local school administrative unit under the provisions of this
12 sub-subdivision and as a retired teacher or school administrative
13 personnel as the term is defined under the provisions of
14 G.S. 115C-325(a)(5a).

15 Beneficiaries employed under this sub-subdivision are not
16 entitled to any benefits otherwise provided under this Chapter
17 as a result of this period of employment."

18 **SECTION 2.** G.S. 115C-325(a)(5a) reads as rewritten:

19 "(5a) "Retired teacher or school administrative personnel" means a
20 beneficiary of the Teachers' and State Employees' Retirement System
21 of North Carolina ~~who~~ who:

- 22 a. Was previously employed as a teacher, principal, assistant
23 principal, or as central office administrative personnel,
24 b. has ~~Has~~ been retired at least six months,
25 c. ~~has~~ Has not been employed in any ~~capacity, other than as a~~
26 ~~substitute teacher or a part-time tutor,~~ capacity with a local
27 board of education for at least six months, immediately
28 preceding the effective date of reemployment,
29 d. is ~~Is~~ determined by a local board of education to have had
30 satisfactory performance during the last year of employment by
31 a local board of education or a charter school, and
32 e. ~~who~~ Who is employed ~~to teach~~ as provided in G.S. 135-3(8)c.

33 A retired teacher shall be treated the same as a probationary teacher
34 except that (i) a retired teacher is not eligible for career status and (ii)
35 the performance of a retired teacher who had attained career status
36 prior to retirement shall be evaluated in accordance with a local board
37 of education's policies and procedures applicable to career teachers."

38 **SECTION 3.** G.S. 115C-316(d) reads as rewritten:

39 "(d) A local board of education may pay a retired ~~teacher~~ teachers and retired
40 school administrative personnel, as ~~that term is~~ those terms are defined in
41 G.S. 115C-325(a)(5a) no more than the ~~employee~~ employees would have received on
42 the ~~teacher~~ appropriate salary schedule, excluding longevity, had the ~~employee~~
43 employees not retired."

1 **SECTION 4.** Subsection (d) of Section 28.24 of S.L. 1998-212, as rewritten
2 by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as
3 rewritten:

4 "(d) This section becomes effective January 1, 1999, and expires June 30, ~~2005-~~
5 2006."

6 **SECTION 5.** The introductory language of Section 67 of S.L. 1998-217, as
7 rewritten by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124,
8 reads as rewritten:

9 "**SECTION 67.** Effective January 1, 1999, through June 30, ~~2005-~~2006,
10 G.S. 135-3(8)c., as rewritten by Section 28.24(a) of S.L. 1998-212 reads as rewritten:"

11 **SECTION 6.** Subsection (b) of Section 67.1 of S.L. 1998-217, as rewritten
12 by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as
13 rewritten:

14 "(b) This section becomes effective January 1, 1999, and expires June 30, ~~2005-~~
15 2006."

16 **SECTION 7.** Subsection (c) of Section 32.25 of S.L. 2001-424, as rewritten
17 by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as
18 rewritten:

19 "**SECTION 32.25.(c)** This section becomes effective July 1, 2001, and expires June
20 30, ~~2005-~~ 2006."

21 **SECTION 8.** Notwithstanding any other provision of law, each local school
22 administrative unit shall pay to the Teachers' and State Employees' Retirement System a
23 Reemployed Teacher Contribution Rate of eleven and seventy-hundredths percent
24 (11.70%) as a percentage of covered salaries that the retired professional educators, who
25 are exempt from the earnings cap, are being paid. Each local school administrative unit
26 shall report monthly to the Retirement Systems Division on payments made pursuant to
27 this subsection.

28 Notwithstanding any other provision of law, any portion of the payment made
29 by a local school administrative unit to a reemployed professional educator who is
30 exempt from the earnings cap, consisting of salary plus the Reemployed Teacher
31 Contribution Rate, that exceeds the State-supported salary level for that position, shall
32 be paid from local funds.

33 **SECTION 9.** This act becomes effective June 30, 2005.

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

HB 701 A BILL TO BE ENTITLED AN ACT TO ENABLE RETIRED SCHOOL PRINCIPALS, ASSISTANT PRINCIPALS, AND CENTRAL OFFICE ADMINISTRATIVE PERSONNEL TO RETURN TO EMPLOYMENT WITH THE PUBLIC SCHOOLS WITHOUT LOSING RETIREMENT BENEFITS.

☒ With a favorable report as to the committee substitute bill, unfavorable as to the original bill, and recommendation that the committee substitute bill # be re-referred to the Committee on Appropriations

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GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

D

HOUSE BILL 701

PROPOSED COMMITTEE SUBSTITUTE H701-CSSH-30 [v.1]

6/1/2005 10:38:11 AM

Short Title: Retired School Professionals Return to Work.

(Public)

Sponsors:

Referred to:

March 17, 2005

A BILL TO BE ENTITLED

AN ACT TO ENABLE RETIRED SCHOOL PRINCIPALS, ASSISTANT PRINCIPALS, AND CENTRAL OFFICE ADMINISTRATIVE PERSONNEL TO RETURN TO EMPLOYMENT WITH THE PUBLIC SCHOOLS WITHOUT LOSING 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 months and has not been employed in any capacity, except as a substitute teacher or ~~a part-time tutor, other substitute employee,~~ 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 or school administrative personnel 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 or school administrative personnel" means a beneficiary of the Teachers' and State Employees' Retirement System of North Carolina ~~who~~ who:

- a. Was previously employed as a teacher, principal, assistant principal, or as central office administrative personnel,
- b. has Has been retired at least six months,
- c. has Has not been employed in any capacity, other than as a substitute teacher ~~or a part-time tutor,~~ teacher or other substitute employee, with a local board of education for at least six months, immediately preceding the effective date of reemployment,
- e. is 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 or a charter school, and
- f. ~~who~~ 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. G.S. 115C-316(d) reads as rewritten:

"(d) A local board of education may pay a retired ~~teacher~~ teachers and retired school administrative personnel, as ~~that term is~~ those terms are defined in G.S. 115C-325(a)(5a) no more than the employee employees would have received on the ~~teacher~~ appropriate salary schedule, excluding longevity, had the ~~employee~~ employees not retired."

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2 by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as
3 rewritten:

4 "(d) This section becomes effective January 1, 1999, and expires June 30, ~~2005.~~
5 2006."

6 **SECTION 5.** The introductory language of Section 67 of S.L. 1998-217, as
7 rewritten by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124,
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18 rewritten:

19 "**SECTION 32.25.(c)** This section becomes effective July 1, 2001, and expires June
20 30, ~~2005.~~ 2006."

21 **SECTION 8.** Notwithstanding any other provision of law, each local school
22 administrative unit shall pay to the Teachers' and State Employees' Retirement System a
23 Reemployed Teacher Contribution Rate of eleven and seventy-hundredths percent
24 (11.70%) as a percentage of covered salaries that the retired professional educators, who
25 are exempt from the earnings cap, are being paid. Each local school administrative unit
26 shall report monthly to the Retirement Systems Division on payments made pursuant to
27 this subsection.

28 Notwithstanding any other provision of law, any portion of the payment made
29 by a local school administrative unit to a reemployed professional educator who is
30 exempt from the earnings cap, consisting of salary plus the Reemployed Teacher
31 Contribution Rate, that exceeds the State-supported salary level for that position, shall
32 be paid from local funds.

33 **SECTION 9.** This act becomes effective June 30, 2005.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

1

HOUSE BILL 701

Short Title: Retired School Professionals Return to Work. (Public)

Sponsors: Representatives Faison; Adams, Brown, Farmer-Butterfield, Frye, Pate,
and Wainwright.

Referred to: Pensions and Retirement.

March 17, 2005

A BILL TO BE ENTITLED

AN ACT TO ENABLE RETIRED SCHOOL PRINCIPALS, ASSISTANT
PRINCIPALS, AND CENTRAL OFFICE ADMINISTRATIVE PERSONNEL TO
RETURN TO EMPLOYMENT WITH THE PUBLIC SCHOOLS WITHOUT
LOSING 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%).

1 The computation of postretirement earnings of a beneficiary
2 under this sub-subdivision, G.S. 135-3(8)c., who has been
3 retired at least six months and has not been employed in any
4 capacity, except as a substitute teacher or a ~~part-time tutor,~~
5 ~~other substitute employee,~~ with a public school for at least six
6 months immediately preceding the effective date of
7 reemployment, shall not include earnings while the beneficiary
8 is employed to teach on a substitute, interim, or permanent basis
9 in a public school. The Department of Public Instruction shall
10 certify to the Retirement System that a beneficiary is employed
11 to teach by a local school administrative unit under the
12 provisions of this sub-subdivision and as a retired teacher or
13 school administrative personnel as the term is defined under the
14 provisions of G.S. 115C-325(a)(5a).

15 Beneficiaries employed under this sub-subdivision are not
16 entitled to any benefits otherwise provided under this Chapter
17 as a result of this period of employment."

18 **SECTION 2.** G.S. 115C-325(a)(5a) reads as rewritten:

19 "(5a) "Retired teacher or school administrative personnel" means a
20 beneficiary of the Teachers' and State Employees' Retirement System
21 of North Carolina ~~who~~ who:

- 22 a. Was previously employed as a teacher, principal, assistant
23 principal, or as central office administrative personnel,
24 b. has ~~Has~~ been retired at least six months,
25 c. has ~~Has~~ not been employed in any capacity, other than as a
26 substitute teacher or a ~~part-time tutor,~~ teacher or other substitute
27 employee, with a local board of education for at least six
28 months, immediately preceding the effective date of
29 reemployment,
30 e. is ~~Is~~ determined by a local board of education to have had
31 satisfactory performance during the last year of employment by
32 a local board of education or a charter school, and
33 f. ~~who~~ Who is employed to teach as provided in G.S. 135-3(8)c.

34 A retired teacher shall be treated the same as a probationary teacher
35 except that (i) a retired teacher is not eligible for career status and (ii)
36 the performance of a retired teacher who had attained career status
37 prior to retirement shall be evaluated in accordance with a local board
38 of education's policies and procedures applicable to career teachers."

39 **SECTION 3.** G.S. 115C-316(d) reads as rewritten:

40 "(d) A local board of education may pay a retired ~~teacher~~ teachers and retired
41 school administrative personnel, as ~~that term is~~ those terms are defined in
42 G.S. 115C-325(a)(5a) no more than the ~~employee~~ employees would have received on
43 the ~~teacher~~ appropriate salary schedule, excluding longevity, had the ~~employee~~
44 employees not retired."

1 **SECTION 4.** Subsection (d) of Section 28.24 of S.L. 1998-212, as rewritten
2 by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as
3 rewritten:

4 "(d) This section becomes effective January 1, 1999, and expires June 30, ~~2005-~~
5 2006."

6 **SECTION 5.** The introductory language of Section 67 of S.L. 1998-217, as
7 rewritten by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124,
8 reads as rewritten:

9 "**SECTION 67.** Effective January 1, 1999, through June 30, ~~2005-~~2006,
10 G.S. 135-3(8)c., as rewritten by Section 28.24(a) of S.L. 1998-212 reads as rewritten:"

11 **SECTION 6.** Subsection (b) of Section 67.1 of S.L. 1998-217, as rewritten
12 by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as
13 rewritten:

14 "(b) This section becomes effective January 1, 1999, and expires June 30, ~~2005-~~
15 2006."

16 **SECTION 7.** Subsection (c) of Section 32.25 of S.L. 2001-424, as rewritten
17 by Section 28.10 of S.L. 2002-126 and by Section 31.18A of S.L. 2004-124, reads as
18 rewritten:

19 "**SECTION 32.25.(c)** This section becomes effective July 1, 2001, and expires June
20 30, ~~2005-~~2006."

21 **SECTION 8.** This act becomes effective June 30, 2005.



**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

To: 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

March 29, 2005

MEMORANDUM

TO: Representative Bill Faison

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 701

Re: Extends the law to June 30, 2006 that allows retired teachers to return to work with out losing retirement benefits and expands eligibility to principals, assistant principals and central office administrative 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, Mellon, March 28, 2005
- (3) Actuarial Note. Hartman & Associates, March 22, 2005

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 701 (First Edition)

SHORT TITLE: Retired School Professionals Return to Work.

SPONSOR(S): Representative Faison

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

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

EFFECTIVE DATE: July 1, 2005

BILL SUMMARY: The present law provides for a cap on the amount of earnings that a re-employed retired employee may earn without reduction of the employee's retirement benefits. The earnable amount is the greater of 50% of the salary the member was earning prior to retirement or \$25,420. A provision within that section permits re-employment of retired public school employees who have been retired at least six months and have not been employed (except as a substitute teacher or part-time tutor) by any public school system for at least six months, and provides that earnings from employment as a teacher on a substitute, interim, or permanent basis by a public school shall not be counted to reduce the employee's retirement benefits. These provisions are scheduled to expire June 30, 2005. This bill changes the reference from "retired teacher" to "retired teacher or school administrative personnel" and defines the term to include teacher, principal, assistant principal or central office administrative personnel. It also extends the sunset on the provision to June 30, 2006.

ESTIMATED IMPACT:

Retirement System Actuary: Mellon estimates the cost to be 0.04% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$3.2M	\$3.4M	\$3.5M	\$3.7M	\$3.9M
Highway Fund	\$0.2M	\$0.2M	\$0.2M	\$0.2M	\$0.2M
Receipt Funds	<u>\$1.0M</u>	<u>\$1.1M</u>	<u>\$1.2M</u>	<u>\$1.2M</u>	<u>\$1.3M</u>
TOTAL COST	\$4.4M	\$4.7M	\$4.9M	\$5.1M	\$5.3M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.05% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$4.0M	\$4.2M	\$4.4M	\$4.6M	\$4.9M
Highway Fund	\$0.2M	\$0.2M	\$0.2M	\$0.2M	\$0.2M
Receipt Funds	<u>\$1.3M</u>	<u>\$1.4M</u>	<u>\$1.4M</u>	<u>\$1.5M</u>	<u>\$1.6M</u>
TOTAL COST	\$5.6M	\$5.8M	\$6.1M	\$6.4M	\$6.7M

There are available gains of 0.47% of payroll in the Teachers' and State Employees' Retirement System to fund this sunset extension, without increasing the contribution rate.

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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 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

TECHNICAL CONSIDERATIONS: The estimated cost is determined by using the assumed rates of retirement versus the actual rates of retirement for members of this group.

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

Official
Fiscal Research Division
Publication

DATE: March 29, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices



Human Resources & Investor Solutions

March 28, 2005

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 701

Dear Mr. Joyal:

We have received your letter of March 21 regarding House Bill 701 which affects the Teachers' and State Employees' Retirement System.

House Bill 701 appears to extend eligibility for the *salary cap exemption for teachers*, implemented in January 1999, to include retired School Principals, Assistant Principals and Central Office Administrative Personnel.

Currently, the earnings exemption applies to a member who has been retired at least six months and has not been employed with a public school except as a substitute teacher or a part-time tutor. House Bill 59 also changes the earnings exemption qualifications from *part-time tutor*, to *other substitute employee*. The legislation does not appear to define what or who constitutes a substitute employee, nor in what capacity substitute employees are permitted to return with an earnings exemption.

Finally, House Bill 701 renews the salary cap exemption until June 30, 2006. It is currently slated to sunset on June 30, 2005.

Assuming that the currently required six month waiting period is being administered by local school districts in the manner prescribed by the statutes, this legislation would increase the unfunded accrued liability by approximately \$25,000,000. The cost of this legislation is estimated to be 0.04% of payroll, or approximately \$4,400,000 in the first year, based on estimated state payroll of \$11.1 billion for the 2005/2006 fiscal year and 9-year amortization of the additional unfunded accrued liability. The estimated cost of legislation that annually extends the sunset date one year will vary from year to year. In addition, as the sunset provisions continue to be extended each year, future retirement patterns will continue to change and, therefore, the assumptions used to value this proposal will likely need to be changed in the future.

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

P:\North Carolina Teachers\2005\Correspondence\House Bill 701.doc
387 RFT03-180

Suite 1900 • 200 Galleria Parkway, N.W. • Atlanta, GA 30339-5945
(770) 955-2488 Office • (770) 933-8336 Fax
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HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

March 22, 2005

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

Re: House Bill 701: An Act to Enable Retired School Principals,
Assistant Principals and Central Office Administrative Personnel
to Return to Employment Without Losing Retirement Benefits

Dear Mr. Moore:

Currently, G.S. 135-3(8)c provides that if a member of the Teachers' and State Employees' Retirement System (TSERS) 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 expires June 30, 2005.

This bill would extend the exclusion to June 30, 2006 and would also apply the earnings exclusion to principals, assistant principals, and central office administrative personnel.

Extending the earnings exclusion for reemployment will likely accelerate the retirement of members who could then return to work without losing retirement benefits. Retirement benefits will be paid for a longer period but at a lower rate than if the employee continued in active service. We have assumed that during the period of reemployment, neither employee nor employer contributions will be made on behalf of the member. The estimated financial impact on the TSERS is a cost of 0.05% of payroll.

This estimate reflects an increase in the normal cost rate and provides for amortization of additional accrued liabilities over a 9 year period. Computations are based on the most recent actuarial valuation prepared as of December 31, 2003, and data you provided on

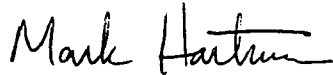
Mr. Stanley Moore
March 22, 2005

Page 2

TSERS members who are teachers, principals, assistant principals and central office administrative personnel.

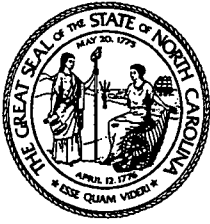
If you have any questions, let me know.

Sincerely,

A handwritten signature in cursive script that reads "Mark Hartman".

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

MVH/jj



BILL ANALYSIS

HOUSE BILL 701: Retired School Professionals Return to Work

Committee: House Pensions and Retirement
Introduced by: Rep. Faison
Version: PCS to First Edition
H701-CSSH-30

Date: June 22, 2005
Summary by: Theresa Matula
Committee Staff

SUMMARY: *The Proposed Committee Substitute for House Bill 701 expands reemployment without earnings limitations to retired school principals, assistant principals, and central office administrative personnel, in addition to the current allowance for teachers; it extends the expiration date of the reemployment provisions to June 30, 2006; and it also requires payment of the Reemployed Teacher Contribution Rate of 11.70% for retired school professionals who return to work exempt from the earnings cap. The act would become effective June 30, 2005.*

CURRENT LAW: The current law, which expires June 30, 2005, allows retired teachers to be reemployed without being subject to the earnings cap.

BILL ANALYSIS: The PCS for House Bill 701 amends G.S. 135-3(8)c. to include "school administrative personnel" in the provision that exempts beneficiaries from the earnings cap. G.S. 115C-325(a)(5a) is amended to provide that retired teacher or school administrative personnel means a beneficiary of the Teachers' and State Employees' Retirement System who:

- was previously employed as a teacher, principal, assistant principal, or as central office administrative personnel,
- has been retired at least six months,
- has not been employed in any capacity other than a substitute teacher or other substitute employee (currently part time tutor),
- is determined by a local board of education to have had satisfactory performance during the last year of employment, and
- who is employed by a local school administrative unit as provided in G.S. 135-3(8)c.

G.S. 115C-316(d) is amended to provide that a local board of education may pay retired teachers and retired school administrative personnel no more than the employees would have received on the appropriate salary schedule, excluding longevity, had the employees not retired.

Sections 4-7 of the bill extend the sunset on the reemployment provisions from June 30, 2005 to June 30, 2006.

Section 8 requires each local school administrative unit to pay the Teachers' and State Employees' Retirement System a Reemployed Teacher Contribution Rate of 11.70% as a percentage of covered salaries that retired professional educators, who are exempt from the earnings cap, are being paid.

BACKGROUND: In response to a request by the General Assembly, the North Carolina Department of State Treasurer issued, *Report to the General Assembly: Evaluation of North Carolina's Policy Governing State Retirees Returning to Service*. This report examines issues related to lifting the salary cap for retirees who return to work including: the State's return to work policy, the salary cap exemption for teachers, an impact analysis of salary cap exemptions and implications for further amendments. The report points out that to date there has not been a comprehensive review to determine if the salary cap exemption has been an effective strategy for reducing teacher shortages and that, "At a minimum, the salary cap exemption alone is not likely to sufficiently reduce any existing teacher shortages, and it entails costs." ¹ The report states that, "Permanently adopting and expanding a personnel strategy that lifts the salary cap for retirees must be weighed against the costs it generates." ² The report

House Bill 701

Page 2

acknowledges that North Carolina must meet its personnel needs, "Yet it is in the State's best interest that policies impacting the solvency of the Retirement System are thoroughly evaluated prior to implementation."³

H0701e1-SMSH-CSSH-30

¹ *Report to the General Assembly: Evaluation of North Carolina's Policy Governing State Retirees Returning to Service*, February 2005, page 16.

² *Ibid.*, page 17.

³ *Ibid.*, page 17.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

D

HOUSE BILL 1653
PROPOSED COMMITTEE SUBSTITUTE H1653-CSRO-36 [v.1]

6/10/2005 3:13:33 PM

Short Title: Mandatory COLA for TSERS Retirees.

(Public)

Sponsors:

Referred to:

May 12, 2005

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE A MANDATORY COST-OF-LIVING INCREASE FOR
3 RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT
4 SYSTEM.

5 The General Assembly of North Carolina enacts:

6 SECTION 1. G.S. 135-5 is amended by adding a new subsection to read:

7 "(nnn) Effective July 1, 2005, and each July 1, thereafter, the retirement allowance to
8 or on account of beneficiaries whose retirement commenced on or before July 1, of the
9 previous year shall be increased by the ratio of the unadjusted 12-month (December to
10 December) Consumer Price Index for All Urban Consumers to that index one year
11 earlier. Furthermore, from and after July 1, 2005, and each July 1, thereafter, the
12 retirement allowance to or on account of beneficiaries whose retirement commenced
13 after July 1, of the previous year but before June 30, of the current year, shall be
14 increased by a prorated amount of the ratio of the unadjusted 12-month (December to
15 December) Consumer Price Index for All Urban Consumers to that index one year
16 earlier, payable as determined by the Board of Trustees based upon the number of
17 months that a retirement allowance was paid between July 1, of the previous year, and
18 June 30, of the current year. If the Consumer Price Index for All Urban Consumers is
19 renamed, the renamed index shall continue to apply to this subsection. If the Consumer
20 Price Index for All Urban Consumers is discontinued, the Retirement Systems Division
21 shall use the index that the Board of Trustees finds is the most similar."

22 SECTION 2. This act becomes effective July 1, 2005.

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

July 13, 2005

The House Committee on Pensions and Retirement met Wednesday, July 13, 2005, 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 B. Allen, Representatives Folwell, Kiser, Ross and Tolson. Research Staff Karen Cochran 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 introduced Representative B. Allen to explain House Bill 1653-A BILL TO BE ENTITLED AN ACT TO PROVIDE A MANDATORY COST-OF-LIVING INCREASE FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM. (Attachment 2) A Proposed Committee Substitute was offered for House Bill 1653. (Attachment 3) Representative Ross moved that it be adopted for committee consideration. The motion passed. Representative Ross moved for a favorable report as to the Proposed Committee Substitute, unfavorable as to the original bill. and recommendation that the committee substitute bill be re-referred to the committee on Rules, Calendar and operations. The motion passed. (Attachment 4)

Representative Bell introduced Senator Smith to explain Senate Bill 140- A BILL TO BE ENTITLED AN ACT TO AMEND THE REQUIREMENT THAT FIREMEN HAVE FIVE YEARS OF SERVICE IN ORDER TO BE ELIGIBLE FOR ASSISTANCE UNDER THE LOCAL FIREMEN'S RELIEF FUND. (Attachment 5) Representative B. Allen made a motion for a favorable report. The motion passed. (Attachment 6)

Y.

Representative Bell introduced Senator Berger to explain Senate Bill 148- A BILL TO BE ENTITLED AN ACT TO EXTEND THE LAW ENFORCEMENT OFFICERS', FIREMEN'S, RESCUE SQUAD WORKERS', AND CIVIL AIR PATROL MEMBERS' DEATH BENEFIT TO PERMANENT PART-TIME AND TEMPORARY LAW ENFORCEMENT OFFICERS AND DETENTION OFFICERS.

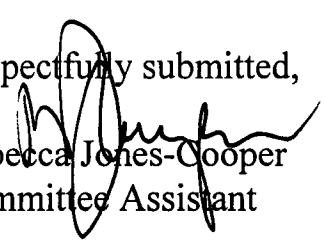
(Attachment 7) A Proposed Committee Substitute was offered for Senate Bill 148. (Attachment 8) Representative Folwell moved that it be adopted for committee consideration. The motion passed. Representative Folwell moved for a favorable report as to the Proposed Committee Substitute, unfavorable as to the original bill and recommendation that the committee substitute bill be re-referred to the committee on Appropriations. The motion passed. (Attachment 9)

There being no further business, Representative Bell adjourned the meeting at 10:55 a.m.

Attachments

1. Visitation Registration Sheet
2. HB 1653
3. PCS for HB 1653
4. Committee Report
5. SB 140
6. Committee Report
7. SB 148
8. PCS for SB 148
- 9.. Committee Report

Respectfully submitted,


Rebecca Jones-Cooper
Committee Assistant



Representative Wilson

Representative Bell

Committee Chair

Committee Chair



VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

July 13, 2005

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Bill Stockard	OSBM
Michael Houser	NCAE
ELLIS HANKINS	WCLM
Dr. Parry-Hill	NC Dept of Public Inst.
Ed Rega	NCRGEA
John Cyran	NCSG
Russ Dubisky	CCPS
John McCall	Geomatics
DON ISAACS	Visitor
~~Gregory Basley~~	SEANR
Katherine Joyce	NASA

Rebecca Jones (Rep. G. Wilson)

From: Rebecca Jones (Rep. G. Wilson)
Sent: Tuesday, July 12, 2005 11:03 AM
To: Blair Keen (Sen. Smith); Sen. Fred Smith; Linda Laton (Sen. Doug Berger); Sen. Doug Berger; Latisha Dumas (Rep. Bernard Allen); Rep. Bernard Allen; Rep. Linda Coleman; Teresa Saunders (Rep. Coleman); Rep. Jean Farmer-Butterfield; Ruth Merkle (Rep. Farmer-Butterfield); Rep. Bill Faison; Katie Jackelen (Rep. Faison)
Subject: NOTICE - Pensions and Retirement Committee Meeting

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2005-2006 SESSION**

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

DAY & DATE: **Wednesday July13,2005**

TIME: **10:00 am**

LOCATION: **544 LOB**

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

SB 140 Amend Firemen's Relief Fund Requirement -Sen. Smith

SB 148 Death Benefit for Part-Time Law Enforcement. Sen. Berger

HB 1653 Mandatory COLA for TSERS Retirees -Reps. B. Allen, Coleman, Farmer Butterfield, Faison

Respectfully,

Representatives Bell and Wilson
Co-chairs

I hereby certify this notice was filed by the committee clerk at the following offices at **11:00 am** on **July 12, 2005**.

____Principal Clerk
____Reading Clerk - House Chamber

Rebecca Jones (Committee Assistant)

7/12/2005

AH.1

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

July 13, 2005

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Jed Bone

Bone & Assoc.

Colleen Kochaneck

NCACP / NCLEOA

ARRY DICK

PJTDP

Teresa Saunders

Rep. Linda Coleman

Marius Davis

NCAE

Rogers Bone

Bone & Assoc

John Almy

Almy Associates

FRANK W. FOLGER

NC DOT

Cam Crow

BPMHL

AH. 2

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

1

HOUSE BILL 1653

Short Title: Mandatory COLA for TSERS Retirees.

(Public)

Sponsors: Representatives B. Allen, Coleman, Farmer-Butterfield, Faison (Primary Sponsors); Dickson, Dollar, Eddins, Fisher, Glazier, Goodwin, Hackney, Holliman, Jones, Luebke, McAllister, Ross, Wainwright, Weiss, Williams, Womble, and Wray.

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

May 12, 2005

A BILL TO BE ENTITLED

AN ACT TO PROVIDE A MANDATORY COST-OF-LIVING INCREASE FOR
RETIREEES OF 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:

"(nnn) From and after July 1, 2005, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2004, shall be increased by the ratio of the unadjusted 12-month (December to December) Consumer Price Index for All Urban Consumers to that index one year earlier. Furthermore, from and after July 1, 2005, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2004, but before June 30, 2005, shall be increased by a prorated amount of the ratio of the unadjusted 12-month (December to December) Consumer Price Index for All Urban Consumers to that index one year earlier, payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2004, and June 30, 2005. If the Consumer Price Index for All Urban Consumers is renamed, the renamed index shall continue to apply to this subsection. If the Consumer Price Index for All Urban Consumers is discontinued, the Retirement Systems Division shall use the index that the Board of Trustees finds is the most similar."

SECTION 2. This act becomes effective July 1, 2005.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

D

HOUSE BILL 1653
PROPOSED COMMITTEE SUBSTITUTE H1653-CSSH-35 [v.1]

6/27/2005 2:01:45 PM

Short Title: Study Commission on Mandatory COLA for TSERS. (Public)

Sponsors:

Referred to:

May 12, 2005

1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH THE LEGISLATIVE STUDY COMMISSION ON A
3 MANDATORY COST-OF-LIVING INCREASE FOR RETIREES OF THE
4 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.

5 The General Assembly of North Carolina enacts:

6 SECTION 1.(a) There is established the Legislative Study Commission on a
7 Mandatory Cost-of-Living Increase for Retirees of the Teachers' and State Employees'
8 Retirement System. The Study Commission shall study the cost and feasibility of an
9 automatic annual retirement allowance increase that equals the prior year ratio of the
10 unadjusted 12-month (December to December) Consumer Price Index for All Urban
11 Consumers. The Study Commission shall consider the benefit to retirees, the cost and
12 actuarial soundness of a mandatory increase, and shall determine whether a mandatory
13 increase adheres to sound retirement and pension policy. In conducting the study, the
14 Commission shall obtain an actuarial analysis and appropriate input from the
15 Retirement Systems Division of the Department of State Treasurer.

16 SECTION 1.(b) The Study Commission shall consist of 10 members
17 appointed as follows:

18 (1) Five members appointed by the President Pro Tempore of the Senate.
19 All five shall be members of the Senate at the time of appointment.
20 One member shall have served within the last two years as a chair,
21 cochair, or vice chair of the Senate Committee on Pensions and
22 Retirement and Aging.

23 (2) Five members appointed by the Speaker of the House of
24 Representatives. All five shall be members of the House of
25 Representatives at the time of appointment. One member shall have
26 served within the last two years as a chair, cochair, or vice chair of the
27 House of Representatives Committee on Pensions and Retirement.

1 **SECTION 1.(c)** The President Pro Tempore of the Senate and the Speaker
2 of the House of Representatives shall each designate a cochair of the Study Commission
3 from their appointees.

4 **SECTION 1.(d)** With the prior approval of the Legislative Services
5 Commission, the Legislative Services Officer shall assign professional staff to assist in
6 the work of the Legislative Study Commission on a Mandatory Cost-of-Living Increase
7 for Retirees of the Teachers' and State Employees' Retirement System. With the prior
8 approval of the Legislative Services Commission, the Study Commission may hold its
9 meeting in the State Legislative Building or the Legislative Office Building.

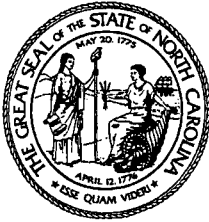
10 **SECTION 1.(e)** The Study Commission shall submit a final written report of
11 its findings and recommendations on or before the convening of the 2006 Regular
12 Session of the 2005 General Assembly. All reports shall be filed with the President Pro
13 Tempore of the Senate, the Speaker of the House of Representatives, and the Legislative
14 Librarian. Upon filing its final report, the Study Commission shall terminate.

15 **SECTION 1.(f)** Members of the Study Commission shall be paid per diem,
16 subsistence, and travel allowances at the rate established in G.S. 120-3.1.

17 **SECTION 1.(g)** All State departments and agencies shall cooperate with the
18 Study Commission and, upon request, shall furnish to the Study Commission and its
19 staff any information in their possession or available to them.

20 **SECTION 2.** From funds appropriated to the General Assembly for the
21 2005-2007 fiscal biennium, the Legislative Services Commission shall allocate funds
22 for the expenses of the Legislative Study Commission on a Mandatory Cost-of-Living
23 Increase for Retirees of the Teachers' and State Employees' Retirement System.

24 **SECTION 3.** This act is effective when it becomes law.



BILL ANALYSIS

HOUSE BILL 1653: Study Commission on Mandatory COLA for TSERS.

Committee:	House Pensions and Retirement	Date:	July 13, 2005
Introduced by:	Reps. B. Allen, Coleman, Farmer-Butterfield, Faison	Summary by:	Theresa Matula Committee Staff
Version:	PCS to First Edition H1653-CSSH-35		

SUMMARY: *The Proposed Committee Substitute for House Bill 1653 establishes the Legislative Study Commission on a Mandatory Cost-of-Living Increase for Retirees of the Teachers' and State Employees' Retirement System.*

BILL ANALYSIS:

The PCS for HB 1653 establishes the Legislative Study Commission on a Mandatory Cost-of-Living Increase for Retirees of the Teachers' and State Employees' Retirement System to study the cost and feasibility of an automatic annual retirement allowance increase that equals the prior year ratio of the unadjusted 12-month (December to December) Consumer Price Index for All Urban Consumers.

The Study Commission shall consist of *10 members*:

- *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.
- *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.

The Study Commission will consider the benefit to retirees, the cost and actuarial soundness of a mandatory increase, and will determine whether a mandatory increase adheres to sound retirement and pension policy. The Commission is required to obtain an actuarial analysis and appropriate input from the Retirement Systems Division of the Department of State Treasurer and must submit a final report containing findings and recommendations on or before the convening of the 2006 Regular Session of the 2005 General Assembly.

EFFECTIVE DATE:

House Bill 1653 is effective when it becomes law.

H1653e1-SMSH-CSSH-35

Att 4

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

HB 1653

A BILL TO BE ENTITLED AN ACT TO PROVIDE A MANDATORY COST-OF-LIVING INCREASE FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.

☒ With a favorable report as to the committee substitute bill, ^{which changes the title,} unfavorable as to the original bill, and recommendation that the committee substitute bill # be re-referred to the Committee on Rules, Calendar and Operations.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. _____) is placed on the Calendar of _____. (The original bill resolution No. _____) is placed on the Unfavorable Calendar.

_____ The (House) committee substitute bill/(joint) resolution (No. _____) is re-referred to the Committee on _____. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. _____) is placed on the Unfavorable Calendar.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

S

2

SENATE BILL 140
Second Edition Engrossed 6/1/05

Short Title: Amend Firemen's Relief Fund Requirement. (Public)

Sponsors: Senators Smith; Kerr, Albertson, Apodaca, Bingham, Blake, Brock, Brown, Dalton, East, Forrester, Garwood, Goodall, Horton, Hoyle, Hunt, Jacumin, Jenkins, Pittenger, Presnell, Snow, Stevens, Thomas, and Tillman.

Referred to: Pensions & Retirement and Aging.

February 16, 2005

A BILL TO BE ENTITLED
AN ACT TO AMEND THE REQUIREMENT THAT FIREMEN HAVE FIVE YEARS
OF SERVICE IN ORDER TO BE ELIGIBLE FOR ASSISTANCE UNDER THE
LOCAL FIREMEN'S RELIEF FUND.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-84-35 reads as rewritten:

"§ 58-84-35. Disbursement of funds by trustees.

The board of trustees shall have entire control of the funds derived from the provisions of this Article, and shall disburse the funds only for the following purposes:

- (1) To safeguard any fireman in active service from financial loss, occasioned by sickness contracted or injury received while in the performance of his duties as a fireman.
- (2) To provide a reasonable support for those actually dependent upon the services of any fireman who may lose his life in the fire service of his town, city, or State, either by accident or from disease contracted or injury received by reason of such service. The amount is to be determined according to the earning capacity of the deceased.
- (2a) To provide assistance, upon approval by the Secretary of the State Firemen's Association, to a destitute member fireman who has served honorably for at least ~~five years~~ two years.
- (3) Repealed by Session Laws 1985, c. 666, s. 61.
- (4) To provide for the payment of any fireman's assessment in the Firemen's Fraternal Insurance Fund of the State of North Carolina if the board of trustees finds as a fact that said fireman is unable to pay the said assessment by reason of disability.

1 (5) To provide for benefits of supplemental retirement, workers
2 compensation, and other insurance and pension protection for firemen
3 otherwise qualifying for benefits from the Firemen's Relief Fund as set
4 forth in Article 85 of this Chapter.

5 (6) To provide for educational benefits to firemen and their dependents
6 who otherwise qualify for benefits from the Firemen's Relief Fund as
7 set forth in Article 85 of this Chapter.

8 Notwithstanding any other provisions of law, no expenditures shall be made
9 pursuant to subsections (5) and (6) of this section unless the State Firemen's Association
10 has certified that such expenditures will not render the Fund actuarially unsound for the
11 purposes of providing the benefits set forth in subsections (1), (2), and (4) of this
12 section. If, for any reason, funds made available for subsections (5) and (6) of this
13 section shall be insufficient to pay in full any benefits, the benefits pursuant to
14 subsections (5) and (6) shall be reduced pro rata for as long as the amount of insufficient
15 funds exists. No claim shall accrue with respect to any amount by which a benefit under
16 subsections (5) and (6) shall have been reduced."

17 **SECTION 2.** This act becomes effective July 1, 2005.



SENATE BILL 140: Amend Firemen's Relief Fund Requirement

BILL ANALYSIS

Committee: House Pensions and Retirement
Introduced by: Sen. Smith
Version: Second Edition

Date: July 13, 2005
Summary by: Theresa Matula
Committee Staff

SUMMARY: *Senate Bill 140 allows the firemen's relief fund board of trustees, upon approval by the Secretary of the State Firemen's Association, to disburse funds to provide assistance to a destitute member fireman who has served honorably for at least two years, instead of the current five year service requirement. This bill has a retroactive effective date of July 1, 2005.*

CURRENT LAW:

Funding - G.S. 58-84-1 requires every insurance company doing business in a fire district in the State to report to the Secretary of Revenue on all premiums collected and received from all fire and lightning insurance business done within the limits of each fire district. Under G.S. 105-228.5(d)(4) a tax is applied to gross premiums on contracts of insurance applicable to fire and lightning coverage at the rate of one-half of one percent (1/2 of 1%). The Secretary of Revenue provides the Commissioner of Insurance with a report on the premiums and credits the Department of Insurance with the net proceeds of the tax.

G.S. 58-84-25 requires the Insurance Commissioner to deduct and retain for the Department of Insurance, two percent (2%) from the tax proceeds for administering the disbursement of funds by the board of trustees in accordance with G.S. 58-84-35. (Three percent (3%) from the tax proceeds is paid to the treasurer of the State Firemen's Association for general purposes, and the remaining tax proceeds are paid to the treasurer of each fire district in proportion to the amount of business done in the fire district.)

Firemen's Relief Fund Board of Trustees - G.S. 58-84-30 requires each county, town or city complying with and deriving benefits from the tax on gross premiums for fire and lightning coverage, to appoint a local board of trustees known as the firemen's relief fund. The board of trustees is composed of five members, two (2) are elected by the members of the local fire department, two (2) are elected by the mayor and local governing body, and one (1) is named by the Commissioner of Insurance.

Disbursement of Funds - G.S. 58-84-35 grants the board of trustees the authority to disburse funds for specified purposes. The purposes include: safeguarding from financial loss a fireman in active service who becomes sick or injured while in the performance of duties as a fireman; providing reasonable support for dependents of a fireman who loses his life in the fire service; providing assistance, upon approval of the Secretary of the State Firemen's Association, to a destitute member fireman who has served honorably for at least five years; providing payment of any fireman's assessment in the Firemen's Fraternal Insurance Fund if the board of trustees finds that a fireman is unable to pay by reason of disability; providing benefits of supplemental retirement, workers compensation, and other insurance and pension protection for firemen otherwise qualifying for benefits from the Firemen's Relief Fund; and providing for educational benefits to firemen and their dependents who otherwise qualify for benefits from the Firemen's Relief Fund.

BILL ANALYSIS: G.S. 58-84-35 allows the board of trustees to provide assistance, upon approval of the Secretary of the State Firemen's Association, to a destitute member fireman who has served honorably for at least five years. Senate Bill 140 decreases the service requirement for a destitute member fireman from five years to two years.

The bill becomes effective July 1, 2005. Which is now a retroactive effective date.

BACKGROUND: The local fire department relief fund board asks for permission from the Secretary of the State Firemen's Association office to make the disbursements in non-line-of-duty cases. The Secretary's office

Senate Bill 140

Page 2

reviews the request and either grants permission or refuses if it does not meet the requirements. The board recommends the amount, but the Secretary of the State Firemen's Association has to approve it. According to the State Firemen's Association, normal requests range from \$250.00 to \$1000.00 and they receive about 30 to 50 requests per year. There is no criteria that defines a "destitute fireman". The Association reports that they have attempted to be consistent over the years with their interpretation. Further, the Association feels that a person needs to be in danger of losing their home or vehicle and have difficult time providing for their family (i.e. putting food on the table).

The Association reports that they normally don't turn down more than 4 or 5 requests a year due to the five-year clause. So they anticipate that the change from five years to two years will allow a few more people to receive help, but will not increase the number significantly.

S0140e2-SMSH

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

SB 140 A BILL TO BE ENTITLED AN ACT TO AMEND THE REQUIREMENT THAT FIREMEN HAVE FIVE YEARS OF SERVICE IN ORDER TO BE ELIGIBLE FOR ASSISTANCE UNDER THE LOCAL FIREMEN'S RELIEF FUND.

☒ With a favorable report.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of _____.

AH 7

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

S

1

SENATE BILL 148

Short Title: Death Benefit for Part-Time Law Enforcement.

(Public)

Sponsors: Senators Berger of Franklin; Apodaca, Atwater, Boseman, Brown, Cowell, Graham, Holloman, Kerr, Snow, Swindell, and Thomas.

Referred to: Pensions & Retirement and Aging.

February 16, 2005

A BILL TO BE ENTITLED

AN ACT TO EXTEND THE LAW ENFORCEMENT OFFICERS', FIREMEN'S, RESCUE SQUAD WORKERS' AND CIVIL AIR PATROL MEMBERS' DEATH BENEFIT TO PERMANENT PART-TIME AND TEMPORARY LAW ENFORCEMENT OFFICERS AND DETENTION OFFICERS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 143-166.2(d) reads as rewritten:

"(d) The term "law-enforcement officer", "officer", or "fireman" shall mean all law-enforcement officers employed ~~full-time~~ full-time, permanent part-time, or temporarily by the State of North Carolina or any county or municipality ~~thereof~~ thereof, whether paid or unpaid; and all full-time custodial employees and probation and parole officers of the North Carolina Department of ~~Correction~~ Correction; and all full time institutional and full-time, permanent part-time, and temporary detention employees of the Department of Juvenile Justice and Delinquency ~~Prevention~~ Prevention and full-time, permanent part-time, and temporary detention officers employed by any county or municipality, whether paid or unpaid. The term "firemen" shall mean both "eligible fireman"; or "fireman" as defined in G.S. 58-86-25 and all full-time, permanent part-time and temporary employees of the North Carolina Division of Forest Resources, Department of Environment and Natural Resources, during the time they are actively engaged in fire-fighting activities; and shall mean all full-time employees of the North Carolina Department of Insurance during the time they are actively engaged in fire-fighting activities, during the time they are training fire fighters or rescue squad workers, and during the time they are engaged in activities as members of the State Emergency Response Team, when the Team has been activated. The term "rescue squad worker" shall mean a person who is dedicated to the purpose of alleviating human suffering and assisting anyone who is in difficulty or who is injured or becomes suddenly ill by providing the proper and efficient care or emergency medical services. In addition, this person must belong to an organized rescue squad

1 which is eligible for membership in the North Carolina Association of Rescue Squads,
2 Inc., and the person must have attended a minimum of 36 hours of training and
3 meetings in the last calendar year. Each rescue squad belonging to the North Carolina
4 Association of Rescue Squads, Inc., must file a roster of those members meeting the
5 above requirements with the State Treasurer on or about January 1 of each year, and this
6 roster must be certified to by the secretary of said association. In addition, the term
7 "rescue squad worker" shall mean a member of an ambulance service certified by the
8 Department of Health and Human Services pursuant to Article 7 of Chapter 131E of the
9 General Statutes. The Department of Health and Human Services shall furnish a list of
10 ambulance service members to the State Treasurer on or about January 1 of each year.
11 The term "Civil Air Patrol members" shall mean those senior members of the North
12 Carolina Wing-Civil Air Patrol 18 years of age or older and currently certified pursuant
13 to G.S. 143B-491(a). The term "fireman" shall also mean county fire marshals when
14 engaged in the performance of their county duties. The term "rescue squad worker"
15 shall also mean county emergency services coordinators when engaged in the
16 performance of their county duties."

17 **SECTION 2.** This act becomes effective July 1, 2005, and applies to all
18 deaths occurring on or after that date.

44.8

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

S

D

SENATE BILL 148
Pensions & Retirement and Aging Committee Substitute Adopted 6/1/05
PROPOSED HOUSE COMMITTEE SUBSTITUTE S148-PCS85285-RO-39

Short Title: Death Benefit for Part-Time Law Enforcement.

(Public)

Sponsors:

Referred to:

February 16, 2005

A BILL TO BE ENTITLED

AN ACT TO EXTEND THE LAW ENFORCEMENT OFFICERS', FIREMEN'S, RESCUE SQUAD WORKERS', AND CIVIL AIR PATROL MEMBERS' DEATH BENEFIT TO PERMANENT PART-TIME AND TEMPORARY LAW ENFORCEMENT OFFICERS AND DETENTION OFFICERS.

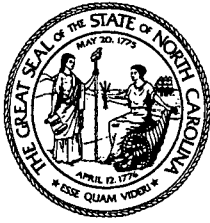
The General Assembly of North Carolina enacts:

SECTION 1. G.S. 143-166.2(d) reads as rewritten:

"(d) The term "law-enforcement officer", "officer", or "fireman" shall mean a sheriff and all law-enforcement officers employed full-time full-time, permanent part-time, or temporarily by a sheriff, the State of North Carolina or any county or municipality thereof thereof, whether paid or unpaid; and all full-time custodial employees and probation and parole officers of the North Carolina Department of ~~Correction~~ Correction; and all full time institutional and full-time, permanent part-time, and temporary detention employees of the Department of Juvenile Justice and ~~Delinquency Prevention~~ Prevention and full-time, permanent part-time, and temporary detention officers employed by any sheriff, county or municipality, whether paid or unpaid. The term "firemen" shall mean both "eligible fireman"; or "fireman" as defined in G.S. 58-86-25 and all full-time, permanent part-time and temporary employees of the North Carolina Division of Forest Resources, Department of Environment and Natural Resources, during the time they are actively engaged in fire-fighting activities; and shall mean all full-time employees of the North Carolina Department of Insurance during the time they are actively engaged in fire-fighting activities, during the time they are training fire fighters or rescue squad workers, and during the time they are engaged in activities as members of the State Emergency Response Team, when the Team has been activated. The term "rescue squad worker" shall mean a person who is dedicated to the purpose of alleviating human suffering and assisting anyone who is in difficulty or who is injured or becomes suddenly ill by providing the proper and efficient care or

1 emergency medical services. In addition, this person must belong to an organized rescue
2 squad which is eligible for membership in the North Carolina Association of Rescue
3 Squads, Inc., and the person must have attended a minimum of 36 hours of training and
4 meetings in the last calendar year. Each rescue squad belonging to the North Carolina
5 Association of Rescue Squads, Inc., must file a roster of those members meeting the
6 above requirements with the State Treasurer on or about January 1 of each year, and this
7 roster must be certified to by the secretary of said association. In addition, the term
8 "rescue squad worker" shall mean a member of an ambulance service certified by the
9 Department of Health and Human Services pursuant to Article 7 of Chapter 131E of the
10 General Statutes. The Department of Health and Human Services shall furnish a list of
11 ambulance service members to the State Treasurer on or about January 1 of each year.
12 The term "Civil Air Patrol members" shall mean those senior members of the North
13 Carolina Wing-Civil Air Patrol 18 years of age or older and currently certified pursuant
14 to G.S. 143B-491(a). The term "fireman" shall also mean county fire marshals when
15 engaged in the performance of their county duties. The term "rescue squad worker"
16 shall also mean county emergency services coordinators when engaged in the
17 performance of their county duties."

18 **SECTION 2.** This act becomes effective November 1, 2004, and applies to
19 all deaths occurring on or after that date.



SENATE BILL 148: Death Benefit for Part-Time Law Enforcement

BILL ANALYSIS

Committee:	House Pensions and Retirement	Date:	July 12, 2005
Introduced by:	Sen. Berger of Franklin	Summary by:	Karen Cochrane-Brown
Version:	Second Edition		Committee Counsel

SUMMARY: *Senate Bill 148 would extend the law enforcement officers', firemen's, rescue squad workers', and civil air patrol members' death benefit to permanent part-time, temporary and volunteer law enforcement officers and detention officers.*

CURRENT LAW:

Under current law, full-time law enforcement officers, firemen, correction officers, detention officers, rescue squad workers, and civil air patrol members employed by the State or any county or municipality are eligible to receive a \$50,000 death benefit if they are killed in the line of duty. The benefit is generally paid to the surviving spouse by the Industrial Commission.

BILL ANALYSIS:

Senate bill 148 eliminates the requirement that only full-time employees are eligible for this benefit. It extends the death benefit to part-time, temporary, and volunteer law enforcement officers, firemen, State correction officers, and State and local detention officers.

EFFECTIVE DATE:

This bill would become effective November 1, 2004, and apply to all deaths of eligible members occurring on or after that date.

S0148e2-SMRO

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

SB 148 A BILL TO BE ENTITLED AN ACT TO EXTEND THE LAW ENFORCEMENT OFFICERS', FIREMEN'S, RESCUE SQUAD WORKERS', AND CIVIL AIR PATROL MEMBERS' DEATH BENEFIT TO PERMANENT PART-TIME AND TEMPORARY LAW ENFORCEMENT OFFICERS AND DETENTION OFFICERS.

☒ With a favorable report as to the House committee substitute bill, unfavorable as to the original bill, and recommendation that the House committee substitute bill be re-referred to the Committee on Appropriations.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. _____) is placed on the Calendar of _____. (The original bill resolution No. _____) is placed on the Unfavorable Calendar.

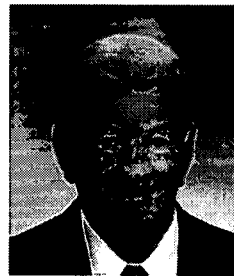
_____ The (House) committee substitute bill/(joint) resolution (No. _____) is re-referred to the Committee on _____. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. _____) is placed on the Unfavorable Calendar.

**NORTH CAROLINA GENERAL ASSEMBLY
PENSIONS AND RETIREMENT
2005 – 2006 SESSION**

2006



**Rep. Larry Bell
Chair**



**Rep. Gene Wilson
Chair**



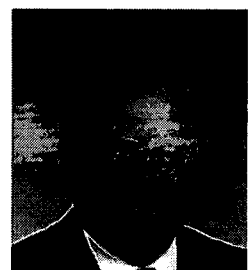
**Rep. Bernard Allen
Vice Chair**



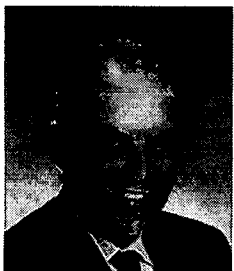
Rep. Linda Coleman



Rep. Beverly Earle



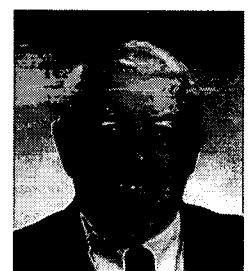
Rep. Dale Folwell



Rep. Joe Kiser



Rep. Deborah Ross



Rep. Joe Tolson



Rep. Spear



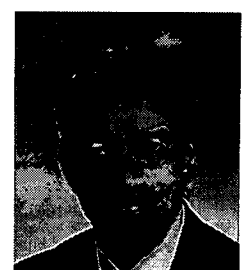
Rep. Cunningham

Ex-Officio



Rep. Eddins

Ex-Officio



Rep. Hackney

Ex-Officio

MEMBERSHIP LIST - 2006
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

<u>MEMBER</u>	<u>ASSISTANT</u>	<u>PHONE</u>	<u>OFFICE</u>	<u>SEAT</u>
<u>REPRESENTATIVES:</u>				
<u>Chairs</u>				
Bell, Larry	Carolyn Edwards	733-5863	538	12
Wilson, Gene	Rebecca Jones-Cooper	733-7727	1109	51
<u>Vice Chair</u>				
Allen, Bernard	Barbara McMillian	733-5772	1325	79
<u>Members</u>				
Coleman, Linda	Teresa Saunders	733-5934	1013	92
Earle, Beverly	Ann Raeford	715-2530	634	11
Folwell, Dale	Mary Marchman	733-5787	304	104
Kiser, Joe	Marilyn Holder	733-5782	1326	40
Ross, Deborah	Margie Penven	733-5773	2223	65
Spear, Timothy	Lona Hallissy	715-3029	403	36
Tolson, Joe	Shirley Phillips	715-3024	402	59
<u>Ex-Officio</u>				
Cunningham, Pete	Valerie Rustin	733-5778	541	7
Eddins, Rick	Susan Phillips	733-5828	1002	26
Hackney, Joe	Emily Reynolds	733-5752	2207	69
<u>Staff</u>				
<u>Research</u>				
Karen Cochrane-Brown	Attorney	733-2578	545	
Theresa Matula	Analyst	733-2578	545	
Stanley Moore	Fiscal Analyst	733-4910	619	
<u>Legislative Assistants</u>				
<u>Office</u>				
Rebecca Jones-Cooper	Rep. Wilson	733-7727	1109	
Carolyn Edwards	Rep. Bell	733-5863	538	

North Carolina General Assembly
Through House Committee on
Pensions and Retirement

Date: 07/25/2006
Time: 13:58
Page: 001 of 003
Leg. Day: H-171/S-173

2005-2006 Biennium

Bill	Introducer	Short Title	Latest Action	In Date	Out Date
H0023	Howard	FIRE AND RESCUE PENSION ELECTION.	*H Ref To Com On Pensions & Retirement and Aging	02-01-05	03-24-05
H0059	McLawhorn	RETIRED SCHOOL PROFESSIONALS RETURN TO WORK.	*H Re-ref Com On Appropriations	02-03-05	06-01-05
H0129	Wright	STATE AND LOCAL RETIREMENT COLAS.	H Re-ref Com On Appropriations	02-09-05	03-23-05
H0142=	Moore	LAW OFFICERS' 25-YEAR RETIREMENT.	H Ref To Com On Pensions and Retirement	02-09-05	
H0144=	Williams	INCREASE FIRE AND RESCUE SQUAD PENSION.	H Re-ref Com On Appropriations	02-09-05	03-23-05
H0182	Ray	CHARTER SCHOOL RETIREMENT ELECTION.	HR Ch. SL 2005-317	02-10-05	04-27-05
H0247	Preston	RETIRED TEACHERS WORK /NO PENALTY.	H Ref to the Com on Pensions and Retirement and, if favorable, to the Com on Education	02-16-05	
H0248	Cole	METH. LAB PREVENTION ACT	*HR Ch. SL 2005-434	02-16-05	05-18-05
H0402	Glazier	PURCHASE MILITARY SERVICE/RETIREMENT.	H Re-ref Com On Appropriations	03-01-05	04-20-05
H0447	Glazier	LEO CREDITABLE SERVICE/WORKERS' COMPENSATION.	*HR Ch. SL 2006-29	03-02-05	04-25-05
H0485	Fisher	CHARTER SCHOOL RETIREMENT ELECTION.	*HR Ch. SL 2005-315	03-07-05	04-27-05
H0535=	Jeffus	TEACHERS CONVERT PERSONAL LEAVE TO SICK LEAVE.	*H Ref To Com On Education/Higher Education	03-29-05	04-06-05
H0612	Ray	TROUTMAN/LOCAL GOVT. EMP. RETIREMENT SYSTEM.	HR Ch. SL 2005-279	03-14-05	04-06-05
H0701	Faison	RETIRED SCHOOL PROFESSIONALS RETURN TO WORK.	*H Re-ref Com On Appropriations	03-17-05	06-23-05
H0709=	Howard	25-YEAR RETIREMENT FOR FIRST RESPONDERS.	H Ref To Com On Pensions and Retirement	03-17-05	
H0710	Bell	RETIREMENT SYSTEMS TECHNICAL CORRECTIONS.-AB	*HR Ch. SL 2005-91	03-17-05	05-05-05
H0711=	Bell	RETIREMENT SYSTEM COLAS.-AB	H Re-ref Com On Appropriations	03-17-05	03-23-05
H0763=	Culpepper	FIRE AND RESCUE WORKERS' RETIREMENT.	*H Re-ref Com On Appropriations	03-17-05	05-03-05
H0784	Wright	CREDITABLE SERVICE/ WORKERS' COMPENSATION.	*H Re-ref Com On Appropriations	03-17-05	04-25-05
H0853=	Insko	OPTIONAL RETIREMENT PRGRAM CHANGES.	*H Pres. To Gov. 7/ 18/2006	03-22-05	06-22-06
H0934=	McLawhorn	NC NATIONAL GUARD PENSION CHANGES.	H Ref To Com On Pensions and	03-28-05	

'\$' indicates the bill is an appropriation bill.

A bold line indicates the bill is an appropriation bill.

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'=' indicates that the original bill is identical to another bill.

North Carolina General Assembly
Through House Committee on
Pensions and Retirement

Date: 07/25/2006
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Page: 002 of 003

2005-2006 Biennium

Leg. Day: H-171/S-173

Bill	Introducer	Short Title	Latest Action	In Date	Out Date
H1073	Rapp	EXTEND SUNSET/RETIRED TEACHERS RETURN TO WORK.	H Re-ref Com On Appropriations Retirement	03-31-05	04-27-05
H1237	Tucker	CHANGE LOCAL GOVERNMENTAL RETIREMENT BOARD.	*HR Ch. SL 2006-64	04-18-05	05-04-05
H1237	Tucker	CHANGE LOCAL GOVERNMENTAL RETIREMENT BOARD.	*HR Ch. SL 2006-64	06-13-06	06-22-06
H1241	Culpepper	STATE LAW OFFICERS' 28-YEAR RETIREMENT.	H Ref To Com On Pensions and Retirement	04-18-05	
H1331	Insko	PURCHASE PART-TIME RETIREMENT SERVICE.	H Ref To Com On Pensions and Retirement	04-20-05	
H1497	Rhodes	ELECTED OFFICIALS/ LOCAL RETIREMENT.	H Ref to the Com on Pensions and Retirement and, if favorable, to the Com on Rules, Calendar, and Operations of the House	04-21-05	
H1501	Nye	ECON. DEVELOPMENT COMM./STATE RETIREMENT.	H Ref To Com On Pensions and Retirement	04-21-05	
H1524	Wilson	SUPPLEMENTAL INSURANCE/PERS. COMM./ SEIBP	*H Re-ref Com On Rules, Calendar, and Operations of the House	05-26-05	06-01-05
H1653	B. Allen	STUDY COMMISSION ON MANDATORY COLA FOR TSERS.	*H Re-ref Com On Rules, Calendar, and Operations of the House	05-12-05	07-13-05
H1877	Glazier	PURCHASE MILITARY SERVICE/RETIREMENT.	H Ref To Com On Pensions and Retirement	05-11-06	
H1889=	Howard	INCREASE FIRE AND RESCUE PENSIONS.	H Re-ref Com On Appropriations	05-11-06	06-08-06
H1907	Lucas	TEACHERS' & ST. EMPLOYEES' RETIRE SYS. COLAS.	H Ref To Com On Pensions and Retirement	05-11-06	
H1910=	Glazier	RETIREEES RETURNING TO WORK.	*H Re-ref Com On Appropriations	05-15-06	06-22-06
H1974	Owens	REEMPLOYMENT OF CERTAIN RETIRED EMPLOYEES.	HR Ch. SL 2006-77	05-16-06	06-08-06
H2061	B. Allen	LEGISLATIVE RETIREE REPAYMENT AND TRANSFER.	H Re-ref Com On Appropriations	05-18-06	06-22-06
H2113	Holliman	INCREASE MAXIMUM NATIONAL GUARD PENSION.	H Re-ref Com On Appropriations	05-18-06	06-08-06
H2219	Haire	JUDICIAL SYSTEM LONGEVITY PAY.	H Re-ref Com On Appropriations	05-18-06	07-12-06

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North Carolina General Assembly
Through House Committee on
Pensions and Retirement

Date: 07/25/2006
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Page: 003 of 003
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2005-2006 Biennium

Bill	Introducer	Short Title	Latest Action	In Date	Out Date
H2223=	Alexander	CHARLOTTE FIREFIGHTERS RETIREMENT CHANGES.	*HR Ch. SL 2006-117	05-22-06	06-22-06
H2241	Folwell	RETIREE HEALTH BENEFIT FUNDS.	H Ref to the Com on Pensions and Retirement and, if favorable, to the Com on Appropriations	05-22-06	
H2381	Faison	RETIRED SCHOOL PROFESSIONALS RETURN TO WORK.	H Ref To Com On Pensions and Retirement	05-23-06	
H2439=	Moore	LONG-TERM DISABILITY AMENDMENT.	H Ref To Com On Pensions & Retirement and Aging	05-24-06	06-08-06
H2487	B. Allen	MANDATORY COST-OF-LIVING INCREASES/ RETIREES.	H Ref To Com On Pensions and Retirement	05-24-06	
H2574=	Clary	INCREASE FIRE AND RESCUE PENSIONS.	H Ref To Com On Pensions and Retirement	05-25-06	
H2644	Grady	LOCAL RETIREMENT SYSTEM/FORGIVE OVERPAYMENTS.	H Ref To Com On Pensions and Retirement	05-25-06	
H2651	Bell	ROTH 401K ACCOUNTS/ LAW ENFORCEMENT OFFICERS.	HR Ch. SL 2006-141	05-25-06	06-22-06
H2652	Bell	RETIREMENT SYSTEM COLAS.	H Re-ref Com On Appropriations	05-25-06	06-08-06
H2657	Daughtridge	EQUALIZE TAX TREATMENT OF PENSIONS.	HF Reptd Unfav	05-25-06	06-08-06
H2704	Insko	RECIPROCITY/OPTIONAL RETIREMENT SYSTEM.	H Ref To Com On Pensions and Retirement	05-25-06	
S0140=	Fred Smith	AMEND FIREMEN'S RELIEF FUND REQUIREMENT.	*H Re-ref Com On Insurance	06-02-05	07-13-05
\$ S0148	Doug Berger	DEATH BENEFIT FOR PART-TIME LAW ENFORCEMENT.	*HR Ch. SL 2005-376	06-02-05	07-13-05
S0383	Hamilton C. Hort	AMEND WINSTON-SALEM FIREMEN'S RETIREMENT FUND.	*HR Ch. SL 2006-121	06-02-05	06-13-06
S1738=	Walter H. Dalton	LONG-TERM DISABILITY AMENDMENT.	*HR Ch. SL 2006-74	06-13-06	06-22-06
\$ S1741	Linda Garrou	MODIFY APPROPRIATIONS ACT OF 2005.	*HR Ch. SL 2006-66	06-13-06	06-14-06

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SHORT SESSION - 2006

[illegible]

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

June 7, 2006

The House Committee on Pensions and Retirement met Wednesday, June 07, 2006, 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 B. Allen, Representatives Coleman, Folwell, Kiser, Ross, Spear 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 introduced Representative Owens to explain House

Bill 1974- A BILL TO BE ENTITLED AN ACT TO AUTHORIZE THE REEMPLOYMENT OF CERTAIN RETIRED COMMUNITY COLLEGE EMPLOYEES WHO WERE PROVIDED INCORRECT INFORMATION ABOUT THE WAITING PERIOD FOR REEMPLOYMENT. (Attachment 2) Representative Tolson made a motion for a favorable report. The motion passed. Committee Report (Attachment 3)

Representative Bell introduced Representative Holliman to explain House Bill 2113- A BILL TO BE ENTITLED AN ACT TO INCREASE THE MAXIMUM TOTAL MONTHLY PENSION FOR RETIRED MEMBERS OF THE NORTH CAROLINA NATIONAL GUARD.

(Attachment 4) Representative B. 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 5)

Representative Bell introduced Representative Daughtridge to explain House Bill 2657 BILL TO BE ENTITLED AN ACT TO EQUALIZE THE INCOME TAX TREATMENT OF RETIREMENT BENEFITS. (Attachment 6) Representative Coleman made a motion for an unfavorable report. The motion passed. Committee Report (Attachment 7)

Representative Bell introduced Senator Garrou to explain Senate Bill 383- A BILL TO BE ENTITLED AN ACT TO AMEND THE LAW ESTABLISHING THE WINSTON-SALEM FIREMEN'S RETIREMENT FUND. (Attachment 8) A Proposed Committee Substitute was offered for Senate Bill 383. (Attachment 9) Representative Folwell moved that it be adopted for committee consideration. The motion passed. Representative Folwell moved for a favorable report as to the Proposed Committee Substitute, unfavorable as to the original bill and recommendation that the committee substitute bill be re-referred to the committee on Appropriations. The motion passed. Committee Report (Attachment 10)

Representative Bell introduced Representative Howard to introduce House Bill 1889 A BILL TO BE ENTITLED AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND. (Attachment 11) Representative Tolson made a motion for a favorable report and that it be re-referred to the committee on Appropriations. The motion passed. Committee Report (Attachment 12)

Representative Bell introduced Representative Moore to introduce House Bill 2439 A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR TRIAL REHABILITATION PERIODS FOR PERSONS WHO HAVE BEEN RECEIVING LONG-TERM DISABILITY BENEFITS UNDER THE DISABILITY INCOME PLAN OF NORTH CAROLINA TO ALLOW THOSE PERSONS TO ATTEMPT A RETURN TO WORK WITHOUT BEING PENALIZED. (Attachment 13) Representative Ross made a motion for a favorable report. The motion passed. Committee Report (Attachment 14)

Representative Wilson introduced Representative Bell to introduce House Bill 2652 A BILL TO BE ENTITLED AN ACT TO PROVIDE COST-OF-LIVING INCREASES FOR 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 15) Representative Ross made a motion for a favorable report and that it be re-referred to the committee on Appropriations. The motion passed. Committee Report (Attachment 16)

There being no further business, Representative Bell adjourned the meeting at 10:55 a.m.

Attachments

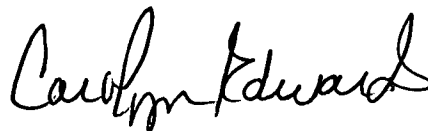
1. Visitation Registration Sheet
2. HB 1974
3. Committee Report
4. HB2113
5. Committee Report
6. HB 2657
7. Committee Report
8. SB 383
9. PCS for SB 383
10. Committee Report
11. HB 1889
12. Committee Report
13. HB 2439
14. Committee Report
15. HB 2652
16. Committee Report

Respectfully submitted,



Rebecca Jones-Cooper

Committee Assistant



Carolyn Edwards

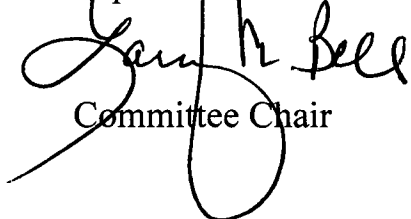
Committee Assistant

Representative Wilson



Committee Chair

Representative Bell



Committee Chair

Rebecca Jones (Rep. G. Wilson)

From: Carolyn Edwards (Rep. Bell)
Sent: Thursday, June 01, 2006 5:58 PM
To: Sen. Linda Garrou; Rep. Rick Glazier; Rep. Rick Eddins; Rep. Margaret H. Dickson; Rep. Julia Howard; Rep. Bill Owens; Rep. Hugh Holliman; Rep. Martha Alexander; Rep. Debbie Clary; Rep. Tim Moore; Rep. Bill Daughtridge, Jr.
Cc: 'dickcarlton@rhcarltonlaw.com'
Subject: Committee Meeting Notice - Pensions And Retirement

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2005-2006 SESSION**

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

DAY & DATE: Wednesday, June 7, 2006
TIME: 10:00 AM
LOCATION: LOB 544

The following bills will be considered (Bill # & Short Title & Bill Sponsor):
SB 383 – Amend Winston-Salem Firemen's Retirement Fund – Sen. Garrou
HB 1877 – Purchase Military Service/Retirement – Reps. Glazier, Eddins, Dickson
HB 1889 – Increase Fire and Rescue Pensions – Rep. Howard
HB 1974 – Reemployment of Certain Retired Employees – Rep. Owens
HB 2113 – Increase Maximum National Guard Pension – Rep. Holliman
HB 2223 – Charlotte Firefighter Retirement Changes – Rep. Alexander
HB 2574 – Increase Fire and Rescue Pensions – Reps. Clary, Moore
HB 2652 – Retirement System COLAs – Reps. Bell and Wilson
HB 2657 – Equalize Tax Treatment of Pensions – Rep. Daughtridge

Respectfully,
Representatives Bell and Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at 11:30 A.M. on Friday, June 2, 2006.

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

**June 7, 2006
10:00 P.M.
Room 544 LOB**

CHAIRS

Representative Larry Bell

Representative Eugene Wilson

CALL TO ORDER

OPENING REMARKS

BILLS TO BE CONSIDERED:

HB 2652 – Retirement System COLAs – Reps. Bell and Wilson

SB 383 – Amend Winston-Salem Firemen's Retirement Fund – Sen. Garrou

HB 1889 – Increase Fire and Rescue Pensions – Rep. Howard

HB 2574 – Increase Fire and Rescue Pensions – Reps. Clary, Moore

HB 2223 – Charlotte Firefighter Retirement Changes – Rep. Alexander

HB 2439 – Long-Term Disability Amendment – Rep. Moore

HB 1877 – Purchase Military Service/Retirement – Reps. Glazier, Eddins, Dickson

HB 1974 – Reemployment of Certain Retired Employees – Rep. Owens

HB 2113 – Increase Maximum National Guard Pension – Rep. Holliman

HB 2657 – Equalize Tax Treatment of Pensions – Rep. Daughtridge

ADJOURNMENT

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

June 7, 2006

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Kathleen Edwards	UNC-CH Daily Bulletin
Michael Houser	NCAE
Nancy Pomerantz	DOR
De Rega	NCRGEA
Wm. Guas	RAVC
John Phelps	NCLM
Wynne Gooden	NCDOT
Don Jones	Attn: Ralazil
L u-Ann Coe	NCPA CRA

VISITOR REGISTRATION SHEET

PENLSONS + RETIREMENT

Name of Committee

6-7-06

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Adam Pridemore

NCAAA

Katherine Joyce

NCAAA

Lynne Bunch

College of the Albemarle

E. C. Dawson

NCRSA

Loanne Winnie

NCSB

Jim Stegall

UCPS

Dick Carlton

NINBA

Col Tom Harris

NC NATIONAL GUARD

Duc, Anh

NC National Guard

BOWEN, TOM

"

"

Aaron Chang

Intern, Rep. Glazier

Gail Wiggins

GOV OFFICE

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

June 7, 2006

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Pam Hoardoff

NC RSP

S. Cophin

NC DST

Abby Farrell

NC DST

Joe White

NC DST

CHRIS WICKER

NC CCPS

Cassandra White

NC CCPS

Stina McKenney

NC DST

Julie Bore

Bore & Assoc

John Nels

Gov register

Marius Dams

NI State Health Plan

Ron L. Meyer

NC ACC

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

Name of Committee

June 7, 2006

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Jeff Mixon

Civitas

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

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HOUSE BILL 1974

Short Title: Reemployment of Certain Retired Employees.

(Public)

Sponsors: Representatives Owens; England, Justice, Parmon, Pate, and Womble.

Referred to: Pensions and Retirement.

May 16, 2006

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE REEMPLOYMENT OF CERTAIN RETIRED
COMMUNITY COLLEGE EMPLOYEES WHO WERE PROVIDED
INCORRECT INFORMATION ABOUT THE WAITING PERIOD FOR
REEMPLOYMENT.

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding any other provision of law, a member of the Teachers' and State Employees' Retirement System who was employed by a community college, who filed for retirement before August 31, 2005, for an effective retirement date of November 1, 2005, and who was provided with incorrect information about the period of time a retired member must wait before returning to employment in order to continue receiving retirement benefits, may be reemployed by the State under the reemployment law that existed at the time the member filed for retirement.

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



NORTH CAROLINA GENERAL ASSEMBLY

Legislative Services Office

George R. Hall, Legislative Services Officer

Fiscal Research Division
500 N. Salisbury Street, Suite 619
Raleigh, NC 27603-5925
Tel. 919-733-4910 Fax 919-715-3589

Lynn Muchmore
Director

May 31, 2006

MEMORANDUM

TO: Representative Bill Owens

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1974

Re: Reemployment of Community College Retirees

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

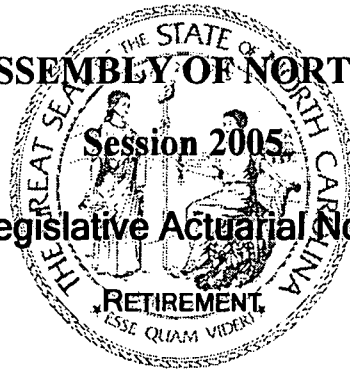
cc: Representative Larry Bell
Representative Gene Wilson
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates

GENERAL ASSEMBLY OF NORTH CAROLINA

Legislative Actuarial Note



BILL NUMBER: House Bill 1974 (First Edition)

SHORT TITLE: Reemployment of Certain Retired Employees.

SPONSOR(S): Representative Owens

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

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

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: Provides that, notwithstanding any other law, any member of the Teachers' and State Employees' Retirement System who (1) was employed by a community college and who filed for retirement before August 31, 2005, for an effective retirement date of November 1, 2005, and (2) was provided with incorrect information about the period of time a retired member must wait before returning to employment in order to continue receiving retirement benefits, may be reemployed by the State under the reemployment law that existed at the time the member filed for retirement. There is a maximum of 14 retirees who might be covered under this change.

ESTIMATED IMPACT ON STATE: Both, Buck Consultants, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, 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, 2003 actuarial valuation of the fund. The data included 303,768 active members with an annual payroll of \$10.1 billion and 123,077 retired members in receipt of annual pensions totaling \$2.1 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 Consultants
General Assembly Actuary - Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: None

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: Lynn Muchmore, Director
Fiscal Research Division



DATE: May 30, 2006

Signed Copy Located in the NCGA Principal Clerk's Offices



May 26, 2006

Mr. J. Brett Joyal
Policy Director
State of North Carolina
Department of State Treasurer
Retirement Systems Division
325 North Salisbury Street
Raleigh, NC 27603-1385

Re: House Bill 1974

Dear Mr. Joyal:

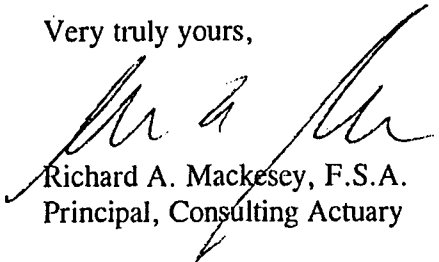
We have received Mr. Garry Austin's letter of May 24 regarding House Bill 1974 which affects the Teachers' and State Employees' Retirement System (TSERS). We also received information from you in an email on May 25 on 14 retirees on the Community College System who may be impacted by the legislation.

This legislation appears to allow TSERS members who were employed by the State's Community College System, who submitted a retirement application before August 31, 2005 for a November 1, 2005 retirement and who received inaccurate information regarding new requirements for retiree reemployment, to be reemployed by the State under the reemployment laws in effect at the time of application for retirement.

Based on the results of the December 31, 2004 valuation of the Retirement System, the assumption changes approved by the Board and the information you provided, the cost to the Retirement System for this legislation is negligible.

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, F.S.A.
Principal, Consulting Actuary

RAM:cj
\\NC\COR\60525RM3.DOC

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 30, 2006

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

Re: House Bill 1974: An Act to Authorize Reemployment of Certain
Retired Community College Employees

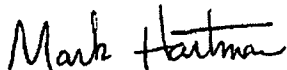
Dear Mr. Moore:

This bill provides that certain members of the Teachers' and State Employees' Retirement System (TSERS) may be reemployed by the State under the reemployment law that existed at the time the member filed for retirement. To be eligible under this provision, the member must have been employed by a community college, filed for retirement before August 31, 2005 for an effective retirement date of November 1, 2005, and have been provided incorrect information about the time a retired member must wait before returning to employment in order to continue receiving retirement benefits. This act is effective when it becomes law.

You have indicated that this bill would impact 14 retirees in the TSERS. This bill could allow some of these members who returned to work to receive retirement benefits that would not otherwise be payable. However, due to the number of members impacted, the cost to the TSERS is not expected to be significant.

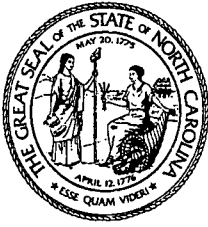
If you have any questions, let me know.

Sincerely,



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

MVH/mt



HOUSE BILL 1974: Reemployment of Certain Retired Employees

BILL ANALYSIS

Committee: House Pensions and Retirement
Introduced by: Rep. Owens
Version: First Edition

Date: June 6, 2006
Summary by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 1974 authorizes the reemployment of certain retired community college employees that filed for retirement before August 31, 2005 for an effective date of November 1, 2005, because they were provided with incorrect information regarding the period of time a retiree must wait before being reemployed.*

BILL ANALYSIS:

House Bill 1974 allows a member of the Teachers' and State Employees' Retirement System to be reemployed by the State under the reemployment law that existed at the time the member filed for retirement, if the member meets the following criteria:

- The member was employed by a community college;
- The member filed for retirement before August 31, 2005, for an effective retirement date of November 1, 2005; and
- The member was provided with incorrect information about the period of time a retired member must wait before returning to employment in order to continue receiving retirement benefits;

This bill becomes effective when it becomes law.

BACKGROUND INFORMATION:

Reemployment Law in August 2005:

Prior to November 1, 2005, G.S. 135-1(20) provided that, "Retirement" shall mean the withdrawal from active service with a retirement allowance granted under the provisions of this Chapter. In order for a member's retirement to become effective in any month, the member must render no service, at any time during that month.

Reemployment Law on November 1, 2005:

Effective November 1, 2005, G.S. 135-1(20) provides that, "Retirement" means the termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service. A retirement allowance under the provisions of this Chapter may only be granted upon retirement of a member. In order for a member's retirement to become effective in any month, the member must render no service, including part-time, temporary, substitute, or contractor service, at any time during the six months immediately following the effective date of retirement.

H1974e1-SMSH

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

HB 1974

A BILL TO BE ENTITLED AN ACT TO AUTHORIZE THE REEMPLOYMENT OF CERTAIN RETIRED COMMUNITY COLLEGE EMPLOYEES WHO WERE PROVIDED INCORRECT INFORMATION ABOUT THE WAITING PERIOD FOR REEMPLOYMENT.

☒ With a favorable report.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of _____.

AH 4

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

1

HOUSE BILL 2113

Short Title: Increase Maximum National Guard Pension.

(Public)

Sponsors: Representatives Holliman; Brown, Cleveland, Faison, Glazier, Langdon,
Martin, McLawhorn, Pate, and Preston.

Referred to: Pensions and Retirement.

May 18, 2006

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE MAXIMUM TOTAL MONTHLY PENSION FOR
RETIRED MEMBERS OF THE NORTH CAROLINA NATIONAL GUARD.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 127A-40(a) reads as rewritten:

"(a) Every member and former member of the North Carolina national guard who meets the requirements hereinafter set forth shall receive, commencing at age 60, a pension of ~~seventy-five dollars (\$75.00)~~ one hundred twelve dollars and fifty cents (\$112.50) per month for 20 years' creditable military service with an additional ~~seven dollars and fifty cents (\$7.50)~~ eleven dollars and twenty-five cents (\$11.25) per month for each additional year of such service; provided, however, that the total pension shall not exceed ~~one hundred fifty dollars (\$150.00)~~ two hundred twenty-five dollars (\$225.00) per month. The requirements for such pension are that each member shall:

- (1) Have served and qualified for at least 20 years' creditable military service, including national guard, reserve and active duty, under the same requirement specified for entitlement to retired pay for nonregular service under Chapter 67, Title 10, United States Code.
- (2) Have at least 15 years of the aforementioned service as a member of the North Carolina national guard.
- (3) Have received an honorable discharge from the North Carolina national guard."

SECTION 2. This act becomes effective July 1, 2006.



NORTH CAROLINA GENERAL ASSEMBLY

Legislative Services Office

George R. Hall, Legislative Services Officer

Fiscal Research Division

500 N. Salisbury Street, Suite 619

Raleigh, NC 27603-5925

Tel. 919-733-4910 Fax 919-715-3589

Lynn Muchmore

Director

May 25, 2006

MEMORANDUM

TO: Representative Hugh Holliman

FROM: Stanley Moore 
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 2113

Re: Increase Maximum National Guard Pension Fund

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

cc: Representatives Bell & Wilson
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

REVISED

BILL NUMBER: House Bill 2113 (First Edition)

SHORT TITLE: Increase Maximum National Guard Pension.

SPONSOR(S): Representative Holliman

FUNDS AFFECTED: General Fund

SYSTEM OR PROGRAM AFFECTED: North Carolina National Guard Pension Fund

EFFECTIVE DATE: July 1, 2006

PROVISION SUMMARY: Increases the benefit from the North Carolina National Guard Pension Fund from \$75 to \$112.50 per month for the first 20 years of creditable service and from \$7.50 to \$11.25 per month for each additional year of creditable service with the maximum benefit increased from \$150 to \$225 per month.

ESTIMATED IMPACT ON STATE: Both, Buck Consultants, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost will be as follows:

	2006-07	2007-08	2008-09	2009-10	2010-11
Annual Cost	\$7,230,000	\$7,230,000	\$7,230,000	\$7,230,000	\$7,230,000

ASSUMPTIONS AND METHODOLOGY: North Carolina National Guard Pension Fund

The cost estimates of the Fund's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2004 actuarial valuation of the fund. The data included 8,005 active members, 6,924 former members entitled to deferred benefits and 2,461 retired members in receipt of annual pensions totaling \$2.3 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1979 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: Buck Consultants
Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: None

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: Lynn Muchmore, Director
Fiscal Research Division

DATE: May 19, 2006



Signed Copy Located in the NCGA Principal Clerk's Offices



May 10, 2006

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

Re: Pension Increase Proposal

Dear Mr. Joyal:

We have received Mr. Stanley Moore's request of May 10 regarding a pension increase proposal, which affects the National Guard Pension Fund.

This proposal would revise G.S. 127A-40(a) by increasing the base pension for every member and former member who meets the requirements from \$75.00 per month to \$80.00 per month for 20 years of creditable military service; the pension increase for each additional year of military service will be raised from \$7.50 per month to \$8.00 per month; the maximum pension allowed will be increased under this legislation from \$150.00 per month to \$160.00 per month.

Our cost estimate for this proposal is based on the Fund's valuation as of December 31, 2004, including a funding basis of nine years for liquidation of unfunded accrued liabilities. The annual cost of this proposal is \$963,982. Therefore, this proposal would require an additional appropriation of \$963,982 for the 2006-2007 fiscal year. The following table shows the required annual contribution for this proposal.

**ADDITIONAL ANNUAL CONTRIBUTIONS PAYABLE BY THE STATE
FOR PENSION INCREASE PROPOSAL
FOR CURRENT AND FUTURE RETIRED MEMBERS**

Additional contribution:	
Normal	\$ 31,540
Accrued liability	932,442
Total	<u>\$ 963,982</u>



Mr. J. Brett Joyal
May 10, 2006
Page 2

If you have any questions concerning this information, please let us know.

Very truly yours,

A handwritten signature in black ink, appearing to read "R. A. Mackesey".

Richard A. Mackesey, F.S.A.
Principal, Consulting Actuary

RAM:km
WNCOR160510RM1.DOC

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 17, 2006

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

Re: Proposed Increase in the Maximum Monthly Pension for Retired
Members of the North Carolina National Guard

Dear Mr. Moore:

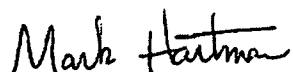
This proposal would amend G.S. 127A-40(a) to increase the retirement benefits payable from the North Carolina National Guard Pension Fund. Currently, the Fund provides a benefit for eligible retired members of \$75 per month for 20 years of creditable service plus \$7.50 per month for each additional year of service, subject to a maximum benefit of \$150 per month. This proposal would increase the retirement benefit to \$80 per month for 20 years of creditable service plus \$8.00 per month for each additional year of service, subject to a maximum benefit of \$160 per month. I have assumed the increase is effective July 1, 2006.

This change would increase the retirement benefit for both current and future retirees. This would 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 for the fiscal year beginning July 1, 2006 is \$963,500.

This estimate is based on the data contained in the most recent actuarial valuation prepared as of December 31, 2004.

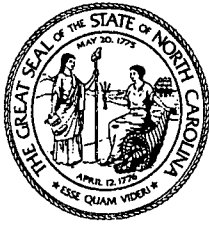
If you have any questions, let me know.

Sincerely,



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

MVH/mt



HOUSE BILL 2113: Increase Maximum National Guard Pension

BILL ANALYSIS

Committee: House Pensions and Retirement
Introduced by: Rep. Holliman
Version: First Edition

Date: June 6, 2006
Summary by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 2113 increases the monthly pension benefit for retired members of the North Carolina National Guard.*

BILL ANALYSIS:

House Bill 2113 amends G.S. 127A-40(a) to increase the monthly benefit for qualifying national guard members from seventy-five dollars (\$75.00) per month to one hundred twelve dollars and fifty cents (\$112.50) per month for 20 years of creditable military service with an additional eleven dollars and twenty-five cents (\$11.25) per month, currently seven dollars and fifty cents (\$7.50) per month, for each additional year of service. The bill also increases the maximum total pension from one hundred fifty dollars (\$150.00) per month to two hundred twenty-five dollars per month (\$225.00).

EFFECTIVE DATE:

This bill would become effective July 1, 2006.

H2113e1-SMSH

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

HB 2113 A BILL TO BE ENTITLED AN ACT TO INCREASE THE MAXIMUM TOTAL MONTHLY PENSION FOR RETIRED MEMBERS OF THE NORTH CAROLINA NATIONAL GUARD.

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

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ The bill/resolution is re-referred to the Committee on _____.

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005**

H

1

HOUSE BILL 2657

Short Title: Equalize Tax Treatment of Pensions. (Public)

Sponsors: Representatives Daughtridge; Brubaker, Clary, Daughtry, Eddins, Faison, Hollo, Johnson, Kiser, LaRoque, McGee, Moore, Pate, Preston, Ray, Sauls, Starnes, Steen, Walker, Wiley, and Wilson.

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

May 25, 2006

A BILL TO BE ENTITLED

AN ACT TO EQUALIZE THE INCOME TAX TREATMENT OF RETIREMENT BENEFITS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-134.6(b)(6) reads as rewritten:

"(b) Deductions. – The following deductions from taxable income shall be made in calculating North Carolina taxable income, to the extent each item is included in taxable income:

- ...
- (6) a. ~~An amount, not to exceed four thousand dollars (\$4,000), equal to the sum of the amount calculated in subparagraph b. plus the amount calculated in subparagraph e.~~
 - b. ~~The amount calculated in this subparagraph is the amount received during the taxable year from one or more state, local, or federal government retirement plans.~~
 - e. ~~The amount calculated in this subparagraph is the~~ The amount received during the taxable year from one or more retirement plans other than state, local, or federal government retirement plans, not to exceed a total of ~~two~~ four thousand dollars ~~(\$2,000)~~ (\$4,000) in any taxable year.
 - d. In the case of a married couple filing a joint return where both spouses received retirement benefits during the taxable year, the maximum dollar ~~amounts~~ amount provided in this subdivision for ~~various types of~~ retirement benefits apply separately to each spouse's benefits."

SECTION 2. This act is effective for taxable years beginning on or after January 1, 2006.

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**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

HB 2657 A BILL TO BE ENTITLED AN ACT TO EQUALIZE THE INCOME TAX TREATMENT OF RETIREMENT BENEFITS.

☒ With an unfavorable report.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ The bill/resolution is placed on the Unfavorable Calendar.

AH 8

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

S

1

SENATE BILL 383

Short Title: Amend Winston-Salem Firemen's Retirement Fund.

(Local)

Sponsors: Senators Horton; and Garrou.

Referred to: Pensions & Retirement and Aging.

March 7, 2005

A BILL TO BE ENTITLED

AN ACT TO AMEND THE LAW ESTABLISHING THE WINSTON-SALEM
FIREMEN'S RETIREMENT FUND.

The General Assembly of North Carolina enacts:

SECTION 1. Section 18 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, S.L. 1998-92, and S.L. 2003-35, reads as rewritten:

"**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.~~ Trustees acting upon the advice of the Association's actuary. 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."

SECTION 2. The provisions of this act do not create an additional liability for the Winston-Salem Firemen's Retirement Fund unless sufficient funds are available to pay fully for the liability.

SECTION 3. This act becomes effective July 1, 2005.



**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

Thomas B. Goldman, Director
Administrative Division
16 W. Jones Street Room 9
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(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

April 4, 2005

MEMORANDUM

TO: Senator Hamilton Horton, Jr.

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note for Senate Bill 383

Re: City of Winston-Salem Firemen's 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 note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Senate Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Aon, March 31, 2005
- (3) Actuarial Note, Hartman & Associates, March 30, 2005

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 383 (First Edition)

SHORT TITLE: Amend Winston-Salem Firemen's Retirement Fund.

SPONSOR(S): Senator Horton

FUNDS AFFECTED: Funds of the City of Winston-Salem.

SYSTEM OR PROGRAM AFFECTED: Winston-Salem Firemen's Retirement Fund.

EFFECTIVE DATE: July 1, 2005

BILL SUMMARY: Amends provision regarding payment of pro rata benefits to remove requirement that retirement fund may not fall below a minimum amount and substitute requirement that pro rata benefits be determined upon the advice of an actuary.

ESTIMATED IMPACT ON THE CITY OF WINSTON-SALEM: Both the Fund's actuary, Aon Consulting, and the General Assembly's actuary, Hartman & Associates, LLC, agree that there would be no material financial impact as a result of this change.

ASSUMPTIONS AND METHODOLOGY: **Winston-Salem Firemen's Retirement Fund Association:** The cost estimates of the Fund's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the July 1, 2004 actuarial valuation of the fund. The data included 309 active members and 168 retired members. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 2% compounded annually, (c) the 1983 Group Annuity Mortality Tables for deaths in service and after retirement. 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 – Aon Consulting
General Assembly Actuary - Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: None

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

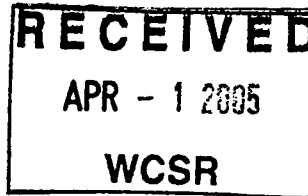
APPROVED BY: James D. Johnson, Director
Fiscal Research Division

Official
Fiscal Research Division
Publication



DATE: April 4, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices



*Employee Benefits
Consulting Group*

March 31, 2005

PERSONAL AND CONFIDENTIAL

Mr. Patrick Allen
Womble Carlyle Sandridge and Rice PLLC
P. O. Drawer 84
Winston-Salem, NC 27102

Re: *Winston-Salem Firemen's Retirement Fund Association*

Dear Patrick:

As you requested, I have reviewed the changes to Section 18 of the Association's bylaws approved by the Board of Trustees of the Association as outlined in Senate Bill 383 introduced in the 2005 Session of the General Assembly of North Carolina. The purpose of Senate Bill 383 is to eliminate the requirement that the assets of the retirement fund be at least 130% of the present value of the liabilities of current retirees, and to provide that any benefit adjustments will only be made upon the advice of the Association's actuary. We concur that Senate Bill 383 will have no impact on the funding status of the retirement fund.

Please call if you need any additional information. Also, please send us a copy of the final Ratified Bill.

Sincerely,

Michael S. Bost, F.S.A.
Vice President

cc:

Mr. Linwood Baker, Winston-Salem Firemen's Retirement Fund Association

MSB/mj

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 30, 2005

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

Re: Senate Bill 383: An Act to Amend the Law Establishing the Winston-Salem Firemen's Retirement Fund

Dear Mr. Moore:

This bill amends section 18 Chapter 388 of the 1973 Session Laws, as amended, to modify the Winston-Salem Firemen's Retirement Fund. Currently, this section provides that the fund assets shall not be less than 130% of the present value of current retirees determined as of the close of a fiscal year. This bill modifies this condition and provides that the funding shall be determined by the plan Trustees acting upon the advice of the Association's actuary. This act becomes effective July 1, 2005.

Based on the actuarial valuation of the Fund as of July 1, 2004, the current retirees' funded percentage is 122%, but the Plan has an overall actuarial surplus. The change provided by this bill is expected to keep the Plan funded on an actuarially sound basis. Thus, this change is not expected to have a material financial impact on the Plan.

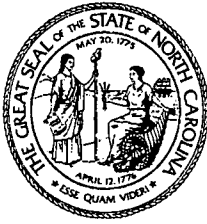
If you have any questions, let me know.

Sincerely,



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

MVH/mt



SENATE BILL 383: Amend Winston-Salem Firemen's Retirement Fund

BILL ANALYSIS

Committee:	House Pensions and Retirement	Date:	June 6, 2006
Introduced by:	Sen. Garrou	Summary by:	Karen Cochrane-Brown
Version:	First Edition		Committee Counsel

SUMMARY: *Senate Bill 383 amends the law governing the Winston-Salem Firemen's Retirement Fund relating to the payment of benefits in the event there are insufficient assets to pay full benefits to all those entitled to receive the benefits.*

CURRENT LAW:

The Winston-Salem Firemen's Retirement Fund Association was established in 1973. The law provides a plan for retirement benefits for eligible members of the Association. The plan contains a provision relating to the payment of benefits in the event there are insufficient assets to fully pay all those entitled to receive the benefits. The plan currently provides that the benefits shall be paid on a pro rata basis provided the assets at the close of any fiscal year are no less than 130% of the present value of the current retirees at the close of the fiscal year.

BILL ANALYSIS:

Senate Bill 383 amends the provision relating to the payment of benefits in the event of insufficient funds to delete the requirement that the payments can only be made if there are at least 130% of the present value of the current retiree liability. The bill adds language authorizing the Trustees of the plan to make pro rata payments upon the advice of the Association's actuary.

EFFECTIVE DATE: This act becomes effective July 1, 2006.

S0383e1-SMRO

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

S

D

SENATE BILL 383

PROPOSED HOUSE COMMITTEE SUBSTITUTE S383-PCS75538-RO-55

Short Title: Amend Winston-Salem Firemen's Retirement Fund.

(Local)

Sponsors:

Referred to:

March 7, 2005

A BILL TO BE ENTITLED

AN ACT TO AMEND THE LAW ESTABLISHING THE WINSTON-SALEM
FIREMEN'S RETIREMENT FUND.

The General Assembly of North Carolina enacts:

SECTION 1. Section 18 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, S.L. 1998-92, and S.L. 2003-35, reads as rewritten:

"**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.~~ Trustees acting upon the advice of the Association's actuary. 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."

SECTION 2. The provisions of this act do not create an additional liability for the Winston-Salem Firemen's Retirement Fund unless sufficient funds are available to pay fully for the liability.

SECTION 3. This act becomes effective July 1, 2006.

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

SB 383 A BILL TO BE ENTITLED AN ACT TO AMEND THE LAW
ESTABLISHING THE WINSTON-SALEM FIREMEN'S RETIREMENT FUND.

☒ With a favorable report as to the House committee substitute bill, unfavorable as to the original bill, and recommendation that the House committee substitute bill be re-referred to the Committee on APPROPRIATIONS.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. _____) is placed on the Calendar of _____. (The original bill resolution No. _____) is placed on the Unfavorable Calendar.

_____ The (House) committee substitute bill/(joint) resolution (No. _____) is re-referred to the Committee on _____. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. _____) is placed on the Unfavorable Calendar.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

1

HOUSE BILL 1889

Short Title: Increase Fire and Rescue Pensions.

(Public)

Sponsors: Representatives Howard; Frye, Grady, Hollo, Holloway, Ed Jones, McGee, Pate, Rapp, Setzer, Spear, Stiller, Tucker, Underhill, and Wray.

Referred to: Pensions and Retirement.

May 11, 2006

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 sixty-three dollars (\$163.00)~~ one hundred sixty-five dollars (\$165.00) per month. Any retired fireman receiving a pension shall, effective ~~July 1, 2005~~, July 1, 2006, receive a pension of ~~one hundred sixty-three dollars (\$163.00)~~ 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 sixty-three dollars (\$163.00)~~ one hundred sixty-five dollars (\$165.00) per month beginning the first month after the member's fifty-fifth birthday. All applications for

1 disability are subject to the approval of the board who may appoint physicians to
2 examine and evaluate the disabled member prior to approval of the application, and
3 annually thereafter. Any disabled member shall not be required to make the monthly
4 payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

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

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

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

29 **SECTION 2.** This act becomes effective July 1, 2006.



NORTH CAROLINA GENERAL ASSEMBLY
Legislative Services Office

George R. Hall, Legislative Services Officer

Fiscal Research Division
300 N. Salisbury Street, Suite 619
Raleigh, NC 27603-5925
Tel. 919-733-4910 Fax 919-715-3589

Lynn Muchmore
Director

May 15, 2006

MEMORANDUM

TO: Representative Julia Howard

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1889

Re: Increase Firemen's and Rescue Squad Workers' Pension Fund

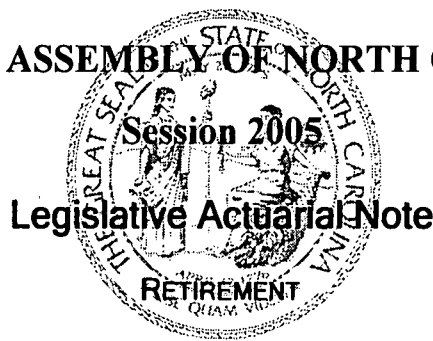
In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original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

cc: Rep. Larry Bell
Rep. Gene Wilson
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates

GENERAL ASSEMBLY OF NORTH CAROLINA



BILL NUMBER: House Bill 1889 (First Edition)

SHORT TITLE: Increase Fire and Rescue Pension

SPONSOR(S): Representative Howard

FUNDS AFFECTED: General Fund

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

EFFECTIVE DATE: July 1, 2006

BILL SUMMARY: Increases the monthly benefit to retirees and future retirees of the Firemen's and Rescue Squad Workers' Pension Fund from \$163 to \$165.

ESTIMATED IMPACT ON STATE: Both the Fund's actuary, Buck Consultants and the General Assembly's actuary, Hartman & Associates, LLC, estimates the cost to be as follows:

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-2011</u>
Benefit Increase	\$625,000	\$625,000	\$625,000	\$625,000	\$625,000

There are actuarial gains in the Fund in the amount of \$111,000 so an appropriation of \$514,000 is required.

ASSUMPTIONS AND METHODOLOGY: Firemen and Rescue Squad Workers' Pension Fund. The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the June 30, 2005 actuarial valuation of the fund. The data included 33,520 active members and 9,495 retired members in receipt of annual pensions totaling \$18.6 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 – Buck Consultants
General Assembly Actuary - Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: None

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: Lynn Muchmore, Director
Fiscal Research Division



DATE: May 11, 2006

Signed Copy Located in the NCGA Principal Clerk's Offices



March 15, 2006

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

Re: \$1 Benefit Increase

Dear Mr. Joyal:

We have received Mr. Stanley Moore's request of March 13 regarding information that affects the Firemen's and Rescue Squad Workers' Pension Fund (the Fund).

The current monthly pension payment is \$163.00 to all pensioners. The cost of a one-dollar (\$1.00) increase to \$164.00 payable monthly to current and future pensioners from this Pension Fund is as follows:

**ADDITIONAL ANNUAL CONTRIBUTIONS PAYABLE BY THE STATE
FOR AN INCREASE IN PENSION FROM \$163 TO \$164
FOR CURRENT AND FUTURE RETIRED MEMBERS**

Additional contribution for \$1.00 increase:

Normal	\$ 42,905
Accrued liability	269,576
Total	<u>\$ 312,481</u>

Available annual contribution due to actuarial gains
From June 30, 2005 valuation

\$ 111,399

Additional appropriation required

\$ 201,082

This cost estimate is based on the Fund's valuation as of June 30, 2005, including a funding basis of nine years for liquidation of unfunded accrued liabilities. Under the assumption that \$7,815,058 is the budgeted annual contribution amount for the 2006-2007 fiscal year and assuming no repayment of the \$676,375 net pension obligation, there is \$111,399 available from actuarial gains as of June 30, 2005 to offset the required contributions for benefit improvements. The annual cost of this

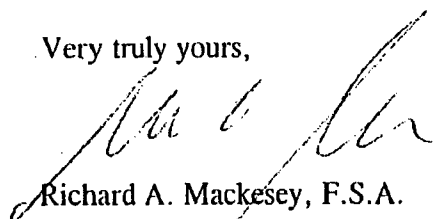


Mr. J. Brett Joyal
March 15, 2006
Page 2

increase is \$312,481. Therefore, this increase would require an additional appropriation of \$201,082 for the 2006-2007 fiscal year.

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, F.S.A.
Principal, Consulting Actuary

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HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

hartman@triad.rr.com

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

March 28, 2006

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

Re: \$1 Increase in the Monthly Pension for Members of the FRSW

Dear Mr. Moore:

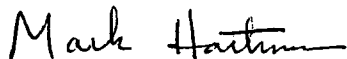
You have requested the cost of a \$1.00 increase in the monthly retirement benefit in the Firemen's and Rescue Squad Workers' Pension Fund (FRSW). Currently, the FRSW provides a retirement benefit of \$163 per month for current and future retirees. The increase would become effective July 1, 2006.

An 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 for each \$1.00 increase in the benefit amount for the fiscal year beginning July 1, 2006, is \$312,601.

This estimate is based on the data contained in the most recent actuarial valuation prepared as of June 30, 2005. Costs for benefit adjustments other than \$1.00 would be proportionate to the above values.

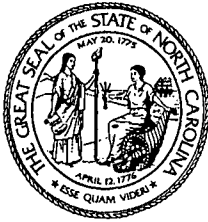
If you have any questions, let me know.

Sincerely,



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

MVH/mt



HOUSE BILL 1889: Increase Fire and Rescue Pensions

BILL ANALYSIS

Committee: House Pensions and Retirement
Introduced by: Rep. Howard
Version: First Edition

Date: June 6, 2006
Summary by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 1889 increases the benefit paid to retirees of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund from \$163.00 to \$165.00 per month.*

[House Bill 1889 and House Bill 2574 are identical. House Bill 2574, introduced by Representatives Clary and Moore, is also currently in House Pensions and Retirement.]

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 1889 amends G.S. 58-86-55 to increase the pension paid to a retired "eligible fireman" or "eligible rescue squad" worker from \$163.00 to \$165.00 per month. The bill also makes a conforming change to increase from \$163.00 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.

This bill would become effective July 1, 2006.

BACKGROUND:

Recent Increases in the Fire and Rescue Pension

<i>Year</i>	<i>Monthly Pension</i>	<i>Increase Over Previous Year</i>
1994	\$110	
1995	\$135	\$25/month
1997	\$141	\$6/month
1998	\$146	\$5/month
2000	\$151	\$5/month
2002	\$156	\$5/month
2003	\$158	\$2/month
2004	\$161	\$3/month
2005	\$163	\$2/month
2006	\$165 <i>proposed</i>	\$2/month <i>proposed</i>

H1889e1-SMSH

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

HB 1889 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 and recommendation that the bill be re-referred to the Committee on APPROPRIATIONS.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ The bill/resolution is re-referred to the Committee on _____.

Att 13

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

1

HOUSE BILL 2439

Short Title: Long-Term Disability Amendment.

(Public)

Sponsors: Representatives Moore; and Faison.

Referred to: Pensions and Retirement.

May 24, 2006

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR TRIAL REHABILITATION PERIODS FOR PERSONS WHO HAVE BEEN RECEIVING LONG-TERM DISABILITY BENEFITS UNDER THE DISABILITY INCOME PLAN OF NORTH CAROLINA TO ALLOW THOSE PERSONS TO ATTEMPT A RETURN TO WORK WITHOUT BEING PENALIZED.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-101(20) reads as rewritten:

"(20) "Trial Rehabilitation" shall mean a return to service in any capacity, if the return occurs within the waiting period as provided in G.S. 135-104 and shall mean a return to service in the same capacity that existed prior to the disability if the return occurs within the short-term disability period as provided in ~~G.S. 135-105~~. G.S. 135-105 or within the long-term disability period as provided in G.S. 135-106."

SECTION 2. Effective August 1, 2006, G.S. 135-101(20), as rewritten by Section 1 of this act, reads as rewritten:

"(20) "Trial Rehabilitation" shall mean a return to service in any capacity, if the return occurs within the waiting period as provided in ~~G.S. 135-104~~ and G.S. 135-104; shall mean a return to service in the same capacity that existed prior to the disability if the return occurs within the short-term disability period as provided in ~~G.S. 135-105~~ or ~~within the long-term disability period as provided in G.S. 135-106~~. G.S. 135-105; and shall mean a return to service in any capacity and in any position provided the salary earned is equal to or greater than the salary upon which the long-term disability benefit is based immediately preceding the return to service, if the return occurs within the long-term disability period as provided in G.S. 135-106."

SECTION 3. Effective August 1, 2006, G.S. 135-106 is amended by adding a new subsection to read:

1 "(c1) During the long-term disability period, a beneficiary may return to service for
2 trial rehabilitation for periods of not greater than 36 months of continuous service. Such
3 return will not cause the beneficiary to become a participant and will not require a new
4 waiting period or short-term disability period to commence regardless of whether the
5 beneficiary is unable to continue in service due to the same incapacity or a different
6 incapacity.

7 A beneficiary who, during a period of trial rehabilitation, is unable to continue in
8 service may be entitled to a restoration of the long-term disability benefit provided that
9 the Medical Board certifies that the beneficiary is disabled in accordance with the laws
10 in effect at the time of the Board's original approval for long-term disability benefits,
11 either due to the same or a different incapacity, notwithstanding the requirement the
12 incapacity has been continuous. In the event that the Medical Board determines that the
13 long-term disability benefit should be restored, the restored benefit should be calculated
14 in accordance with G.S. 135-106(b); should include any post-disability benefit
15 adjustments as provided by G.S. 135-108; and should not be reduced by an amount
16 equal to a primary Social Security disability benefit to which the beneficiary might be
17 entitled had the beneficiary been awarded Social Security benefits until the beneficiary
18 has been eligible to receive long-term disability benefits for 36 months, including any
19 period the beneficiary elected to receive any salary continuation in lieu of the long-term
20 benefit, but not including any period of trial rehabilitation.

21 A beneficiary who returns to service for a period of trial rehabilitation and who has
22 continued in service for greater than 36 continuous months shall again become a
23 participant, and any subsequent incapacity shall be treated as a new incapacity causing a
24 new waiting period to begin. Such a beneficiary may be entitled to additional long-term
25 disability benefits on account of the new incapacity provided the beneficiary meets all
26 other requirements notwithstanding the requirement of five years of membership service
27 within the 96 calendar months prior to becoming disabled or the cessation of continuous
28 salary continuation payments."

29 **SECTION 2.** Section 1 of this act is effective when it becomes law. The
30 remainder of this act becomes effective July 1, 2002.



NORTH CAROLINA GENERAL ASSEMBLY
Legislative Services Office

George R. Hall, Legislative Services Officer

Fiscal Research Division
300 N. Salisbury Street, Suite 619
Raleigh, NC 27603-5925
Tel. 919-733-4910 Fax 919-715-3589

Lynn Muchmore
Director

June 5, 2006

MEMORANDUM

TO: Representative Tim Moore

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 2439

Re: Long-Term Disability Changes

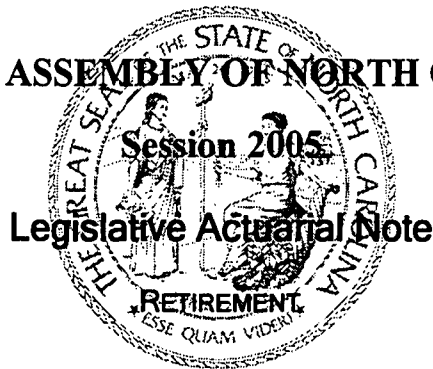
In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A copy of an original actuarial note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

cc: Representative Larry Bell
Representative Gene Wilson
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note. Hartman & Associates

GENERAL ASSEMBLY OF NORTH CAROLINA



BILL NUMBER: House Bill 2439 (First Edition)

SHORT TITLE: Long-Term Disability Amendment.

SPONSOR(S): Representative Moore

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Funds

SYSTEM OR PROGRAM AFFECTED: Disability Income Plan

EFFECTIVE DATE: Part of bill is effective August 1, 2006 and part is effective July 1, 2002.

BILL SUMMARY: Creates the definition of "Trial Rehabilitation" during the long-term benefit period to allow a person to return to service in any capacity at a salary equal to or greater than the salary that the previous long-term benefit is based. During the long-term period, the person may return to work for trail rehabilitation for a period not greater than 36 months without the lost of long-term benefits, if they are not capable of remaining in service. If they complete 36 months and later become disabled, they are subject to the waiting period and the short-term benefit period before they are eligible for long-term benefits.

ESTIMATED IMPACT ON STATE: Both, Buck Consultants, the Disability Income Plan's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost would be negligible.

ASSUMPTIONS AND METHODOLOGY: 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, 2004 actuarial valuation of the Plan. The data included 322,933 active members with an annual payroll of \$11.2 billion and 5,246 disabled members in receipt of annual long term benefits totaling \$47.6 million. Significant actuarial assumptions used include (a) an annual investment return rate of 7.25%, (b) assumed rates of disability and termination are based on the Group Long-Term Disability (GLTD) Valuation Tables published in the Society of Actuaries Transactions Volume XXXIX, 1987, adjusted by a factor of 0.80, (c) across-the-board salary increases of 5.75%, (d) Social Security disability benefits are assumed to increase 3.75% per year and (e) rates of approval for Social Security benefits prior to completion of four years of disability is 75%. Claims cost for LTD benefits are calculated using the one-year term cost method. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: Buck Consultants
Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: None

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: Lynn Muchmore, Director
Fiscal Research Division

DATE: June 2, 2006



Signed Copy Located in the NCGA Principal Clerk's Offices



June 1, 2006

Mr. J. Brett Joyal
Policy Director
State of North Carolina
Department of State Treasurer
Retirement Systems Division
325 North Salisbury Street
Raleigh, NC 27603-1385

Re: House Bill 2439

Dear Mr. Joyal:

We have received Mr. Garry Austin's letter of June 1 regarding House Bill 2439, which affects the Disability Income Plan. This proposed legislation appears to add the ability for a beneficiary to return to work for a specified period of time without losing disability status if the beneficiary is unable to continue working.

Section 1 amends G.S. 135-101(20), effective immediately, to include return to service during the LTD period of G.S. 135-106 in the definition of Trial Rehabilitation.

Section 2 amends G.S. 135-101(20), effective August 1, 2006, to require that the salary earned during the Trial Rehabilitation equal or exceed the salary upon which the LTD benefit is based if the return to service occurs during the LTD period of G.S. 135-106.

Section 3 amends G.S. 135-106, effective August 1, 2006, to add Subsection c1 that allows a beneficiary to return to service under the Trial Rehabilitation definition for no longer than 36 months. If during the 36 months of Trial Rehabilitation the beneficiary is unable to continue employment the beneficiary will again become eligible for LTD payments. If the Trial Rehabilitation exceeds 36 months, the beneficiary becomes a participant and any subsequent disability will cause a new waiting period to begin.

Second Section 2 (presumably should be Section 4) states Section 1 is effective immediately and Sections 2 and 3 become effective on July 1, 2002.

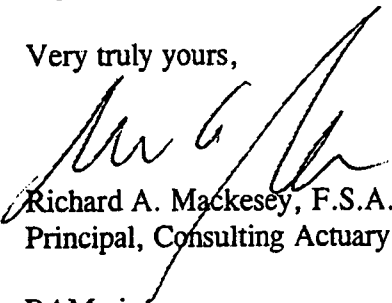
This proposed legislation contains provisions that could increase the costs of the Plan and decrease costs of the Plan. The Plan's costs could increase since under the current statute a beneficiary who attempts a return to work during the LTD period risks losing LTD status if they are unable to work due to the five years of membership in the last 96 months requirement for disability eligibility. The Plan's costs could decrease since the proposal removes this restriction for 36 months, thus, allowing more beneficiaries to attempt a return to work. During this return to work, no LTD benefit would be payable since the salary earned during the Rehabilitation Period must exceed the earnings on which the LTD benefit is based. In addition, if the return to work is successful, the LTD benefit will cease. Each of these results could reduce the amount of LTD benefits paid. We have no data on the number of beneficiaries who lose LTD coverage due to an attempted return to work. However, we feel that any additional costs to the Plan as described above will be offset by the reduction in benefits for those additional beneficiaries who attempt a Trial Rehabilitation and by the elimination of benefits to those beneficiaries who successfully return to work due to this Trial Rehabilitation provision. Therefore, we estimate that the cost of this proposed legislation is negligible.

Please note that additional administrative tasks will need to be performed to track the beneficiaries on Trail Rehabilitation. Additional employees may need to be hired to perform these tasks. However, this letter does not include any costs for additional employees.

Please note that the second Section 2 should be changed to Section 4 and the dates in Sections 2, 3 or second Section 2 should be modified to be consistent and as intended.

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, F.S.A.
Principal, Consulting Actuary

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HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 30, 2006

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

Re: House Bill 2439/Senate Bill 1738: An Act to Provide for Trial
Rehabilitation for Persons Receiving Long-Term Disability
Benefits

Dear Mr. Moore:

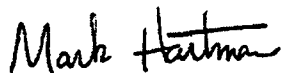
These bills amend G.S. 135-101(20) and G.S. 135-106 to provide for trial rehabilitation periods for persons who are receiving long-term disability benefits under the Disability Income Plan of North Carolina. This provision would be effective July 1, 2002.

Currently, no trial rehabilitation period is available during the long-term disability period. This bill would allow a trial rehabilitation period for up to 36 months of continuous service. If the member is unable to continue in service and is certified as disabled by the Medical Board, he would be entitled to restore the long-term disability benefit. No additional waiting period or short-term disability period would be required unless the member continued in service for more than 36 months.

Allowing a trial rehabilitation period is likely to encourage members to return to work sooner, reducing total disability payments and producing a savings to the Plan. We do not have data to estimate the overall financial impact; however, we would not expect a significant impact from this change.

If you have any questions, let me know.

Sincerely,



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

MVH/mt



HOUSE BILL 2439: Long-Term Disability Amendment

BILL ANALYSIS

Committee:	House Pensions and Retirement	Date:	June 6, 2006
Introduced by:	Rep. Moore	Summary by:	Karen Cochrane-Brown
Version:	First Edition		Committee Counsel

SUMMARY: *House Bill 2439 would authorize trial rehabilitation periods for persons who have been receiving long-term disability benefits under the Disability Income Plan to allow those persons to attempt to return to work without being penalized.*

[As introduced, this bill was identical to S1738, as introduced by Sen. Dalton, which is currently in Senate Pensions & Retirement and Aging.]

CURRENT LAW:

Under current law, a person who is disabled and seeking benefits under the Disability Income Plan may return to service to attempt a trial rehabilitation during the 60 waiting period for up to five continuous days of service without causing a new waiting period to begin. In addition, a person may attempt a trial rehabilitation during the one year period of short-term disability. The beneficiary may return to service for a period of not more than 40 continuous days without causing a new waiting period or short-term disability period to commence.

However, once the beneficiary begins receiving long-term disability benefits, there is no provision for a period of trial rehabilitation.

BILL ANALYSIS:

This bill amends the definition of the term "trial rehabilitation" to include a return to service within the long-term disability period. The period of trial rehabilitation may not exceed 36 months of continuous service. The return to service under these circumstances will not require a member to become a participant and member of the Retirement System, nor will it require a new waiting period.

A beneficiary who is unable to continue in service due to the disability may be restored to long-term disability status if the Medical Board certifies that the beneficiary meets the disability standard.

If the beneficiary continues in service for more than 36 continuous months, the beneficiary will again become a participant and any subsequent incapacity will be treated as a new disability and will require a new waiting period.

EFFECTIVE DATE: Section 1 becomes effective when it becomes law. The remainder of the act would become effective July 1, 2002.

H2439e1-SMRO

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

HB 2439 A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR TRIAL REHABILITATION PERIODS FOR PERSONS WHO HAVE BEEN RECEIVING LONG-TERM DISABILITY BENEFITS UNDER THE DISABILITY INCOME PLAN OF NORTH CAROLINA TO ALLOW THOSE PERSONS TO ATTEMPT A RETURN TO WORK WITHOUT BEING PENALIZED.

☒ With a favorable report.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of _____.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

1

HOUSE BILL 2652

Short Title: Retirement System COLAs.

(Public)

Sponsors: Representatives Bell, Wilson (Primary Sponsors); B. Allen, Coleman, Faison, Goodwin, Lucas, Pate, Pierce, and Wainwright.

Referred to: Pensions and Retirement.

May 25, 2006

A BILL TO BE ENTITLED

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

"(ooo) From and after July 1, 2006, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased by three and four-tenths percent (3.4%) of the allowance payable on June 1, 2006, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2006, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2005, but before June 30, 2006, shall be increased by a prorated amount of three and four-tenths percent (3.4%) 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, 2005, and June 30, 2006."

SECTION 2. G.S. 128-27 is amended by adding a new subsection to read:

"(hhh) From and after July 1, 2006, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased by two and eight-tenths percent (2.8%) of the allowance payable on June 1, 2006, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2006, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2005, but before June 30, 2006, shall be increased by a prorated amount of two and eight-tenths percent (2.8%) 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, 2005, and June 30, 2006."

1 **SECTION 3.** G.S. 120-4.22A is amended by adding a new subsection to
2 read:

3 "(u) In accordance with subsection (a) of this section, from and after July 1, 2006,
4 the retirement allowance to or on account of beneficiaries whose retirement commenced
5 on or before January 1, 2006, shall be increased by three and four-tenths percent (3.4%)
6 of the allowance payable on June 1, 2006. Furthermore, from and after July 1, 2006, the
7 retirement allowance to or on account of beneficiaries whose retirement commenced
8 after January 1, 2006, but before June 30, 2006, shall be increased by a prorated amount
9 of three and four-tenths percent (3.4%) of the allowance payable as determined by the
10 Board of Trustees based upon the number of months that a retirement allowance was
11 paid between January 1, 2006, and June 30, 2006."

12 **SECTION 4.** G.S. 135-65 is amended by adding a new subsection to read:

13 "(aa) From and after July 1, 2006, the retirement allowance to or on account of
14 beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased
15 by three and four-tenths percent (3.4%) of the allowance payable on June 1, 2006, in
16 accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2006, the retirement
17 allowance to or on account of beneficiaries whose retirement commenced after July 1,
18 2005, but before June 30, 2006, shall be increased by a prorated amount of three and
19 four-tenths percent (3.4%) of the allowance payable as determined by the Board of
20 Trustees based upon the number of months that a retirement allowance was paid
21 between July 1, 2005, and June 30, 2006."

22 **SECTION 5.** This act becomes effective July 1, 2006.



NORTH CAROLINA GENERAL ASSEMBLY
Legislative Services Office

George R. Hall, Legislative Services Officer

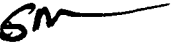
Fiscal Research Division
500 N. Salisbury Street, Suite 619
Raleigh, NC 27603-5925
Tel. 919-733-4910 Fax 919-715-3589

Lynn Muchmore
Director

May 26, 2006

MEMORANDUM

TO: Representative Larry Bell
Representative Gene Wilson

FROM: Stanley Moor 
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 2652

Re: Retirement System COLAs

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.

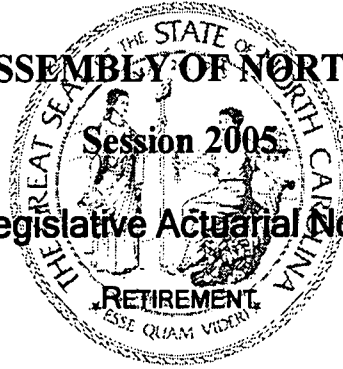
cc: House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005 Legislative Actuarial Note



BILL NUMBER: House Bill 2652 (First Edition)

SHORT TITLE: Retirement System COLAs.

SPONSOR(S): Representatives Wilson and Bell

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

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System and Legislative Retirement System and the Local Governmental Employees' Retirement System.

EFFECTIVE DATE: July 1, 2006

BILL SUMMARY: Provides a post-retirement increase of 3.4% in the benefits of retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative Retirement System and a post-retirement increase of 2.8% in the benefits of retirees of the Local Governmental Employees' Retirement System.

ESTIMATED IMPACT:

Teachers' and State Employees' Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of a 3.4% cola to be 1.16% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2001-11</u>
General Fund	\$98.3M	\$102.4M	\$106.7M	\$111.2M	\$115.9M
Highway Fund	\$ 4.9M	\$ 5.1M	\$ 5.3M	\$ 5.5M	\$5.7M
Receipt Funds	<u>\$31.3M</u>	<u>\$32.6M</u>	<u>\$34.0M</u>	<u>\$35.4M</u>	<u>\$36.9M</u>
TOTAL COST	\$134.4M	\$140.1M	\$146.0M	\$152.2M	\$158.6M

General Assembly Actuary: Hartman & Associates estimates the cost of a 3.4% cola to be 1.05% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General Fund	\$88.9M	\$92.7M	\$96.6M	\$100.7M	\$104.9M
Highway Fund	\$ 4.4M	\$ 4.6M	\$ 4.8M	\$ 5.0M	\$5.2M
Receipt Funds	<u>\$28.3M</u>	<u>\$29.5M</u>	<u>\$30.8M</u>	<u>\$32.1M</u>	<u>\$33.4M</u>
TOTAL COST	\$121.7M	\$126.8M	\$132.2M	\$137.7M	\$143.5M

There are available gains of 0.70% of payroll in the Teachers' and State Employees' Retirement System so an increase of 0.46% in the employer contribution rate would be necessary to pay the additional cost. The appropriation needed is as follows:

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General Fund	\$39.0M	\$40.6M	\$42.3M	\$44.1M	\$46.0M
Highway Fund	\$ 1.9M	\$ 2.0M	\$ 2.1M	\$ 2.2M	\$ 2.3M
Receipt Funds	<u>\$12.4M</u>	<u>\$ 12.9M</u>	<u>\$ 13.5M</u>	<u>\$ 14.1M</u>	<u>\$ 14.6M</u>
TOTAL COST	\$53.3M	\$55.6M	\$57.9M	\$60.3M	\$62.9M

Consolidated Judicial Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of a 3.4% cola to be 1.80% of payroll.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2001-11</u>
General Fund	\$973,800	\$1,001,456	\$1,029,897	\$1,059,146	\$1,089,226

General Assembly Actuary: Hartman & Associates estimates the cost of a 3.4% cola to be 1.63% of payroll.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2001-11</u>
General Fund	\$881,830	\$906,874	\$932,629	\$959,116	\$986,355

There are available gains in the Consolidated Judicial Retirement System so no additional appropriation is needed.

Legislative Retirement System

Retirement System Actuary: Charles Dunn estimates the cost of a 3.4% cola to be 1.87% of payroll.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2001-11</u>
General Fund	\$67,788	\$67,788	\$67,788	\$67,788	\$67,788

General Assembly Actuary: Hartman & Associates estimates the cost of a 3.4% cola to be 1.67% of payroll.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2001-11</u>
General Fund	\$60,538	\$60,538	\$60,538	\$60,538	\$60,538

Local Governmental Employees' Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of a 2.8% cola to be 0.39% of the payroll of all members of the Local Governmental Employees' Retirement System.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Local Funds	\$17.2M	\$18.2M	\$19.2M	\$20.3M	\$21.4M

General Assembly Actuary: Hartman & Associates estimates the cost of a 2.8% cola to be 0.36% of payroll

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Local Funds	\$15.9M	\$16.8M	\$17.7M	\$18.7M	\$19.7M

There are available gains in the Local Governmental Employees' Retirement System to fund this without increasing the contribution rates of each employer.

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, 2004 actuarial valuation of the fund. The data included 311,612 active members with an annual payroll of \$10.4 billion and 128,577 retired members in receipt of annual pensions totaling \$2.3 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, 2004 actuarial valuation of the fund. The data included 490 active members with an annual payroll of \$49.4 million and 420 retired members in receipt of annual pensions totaling \$20.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality 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, 2004 actuarial valuation of the fund. The data included 169 active members with an annual payroll of \$3.7 million and 236 retired members in receipt of annual pensions totaling \$1.5 million. 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, 2004 actuarial valuation of the fund. The data included 121,262 active members with an annual payroll of \$4.1 billion and 36,728 retired members in receipt of annual pensions totaling \$525.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: Buck Consultants
Hartman & Associates, LLC
Charles W. Dunn

TECHNICAL CONSIDERATIONS: None

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: Lynn Muchmore, Director
Fiscal Research Division



DATE: May 26, 2006

Signed Copy Located in the NCGA Principal Clerk's Offices



March 15, 2006

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

Re: 1% COLA

Dear Mr. Joyal:

We have received Mr. Stanley Moore's request of March 13 regarding information that affects the Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System.

TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

The cost of 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 or before July 1, 2005, and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 2005 and before June 30, 2006, with all increases payable effective July 1, 2006 is 0.34% of payroll.

CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

The cost of 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 or before July 1, 2005 and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 2005 and before June 30, 2006, with all increases payable effective July 1, 2006 is 0.53% of payroll.

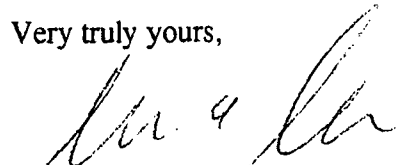
These costs are based on the results of the December 31, 2004 valuation, with an update for the assumption changes that will be proposed in April for the December 31, 2005 valuation of the Teachers' and State Employees' Retirement System.



Mr. J. Brett Joyal
March 15, 2006
Page 2

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, F.S.A.
Principal, Consulting Actuary

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March 31, 2006

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

Re: 1% COLA

Dear Mr. Joyal:

We have received Mr. Stanley Moore's request of March 13 regarding information that affects the Local Government Employees' Retirement System.

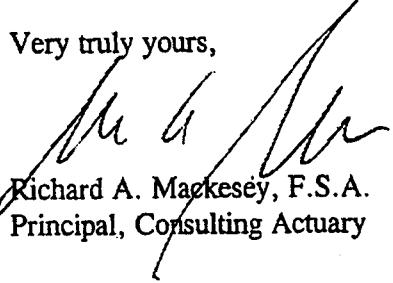
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

The cost of a post-retirement increase in the allowances of retirees and other beneficiaries of the Local Government Employees' Retirement System equal to 1.0% for those who commenced retirement on or before July 1, 2005, and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 2005 and before June 30, 2006, with all increases payable effective July 1, 2006 is 0.14% of payroll.

These costs are based on the results of the December 31, 2004 valuation, with an update for the assumption changes that will be proposed in April for the December 31, 2005 valuation of the Local Government Employees' Retirement System.

If you have any questions or need additional assistance, please let us know.

Very truly yours,


Richard A. Mackesey, F.S.A.
Principal, Consulting Actuary

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HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

hartman@triad.rr.com

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

March 30, 2006

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, LGERS, CJRS and LRS Systems

Dear Mr. Moore:

You have requested the cost of providing a 1.0% cost of living adjustment, effective July 1, 2006, for beneficiaries of the Teachers' and State Employees' Retirement System (TSERS), the Local Governmental Employees' Retirement System (LGERS), the Consolidated Judicial Retirement System (CJRS) and the Legislative Retirement System (LRS). The specific benefit increases are as follows:

1. In the TSERS, LGERS and CJRS, increase the retirement allowance 1.0% for all beneficiaries who retired on or before July 1, 2005, with a prorated increase for retirements between July 1, 2005 and June 30, 2006.
2. In the LRS, increase the retirement allowance 1.0% for all beneficiaries who retired on or before January 1, 2006, with a prorated increase for retirements after January 1, 2006 and before June 30, 2006.

The estimated costs for a 1% COLA are shown below for each system. Costs are for the fiscal year beginning July 1, 2006 and are expressed as a percentage of payroll.

System	Cost of 1% COLA	Amort. Period for Unfunded Liability
TSERS	0.31%	9 years
LGERS	0.13%	N/A
CJRS	0.48%	9 years
LRS	0.49%	8 years

Mr. Stanley Moore
March 30, 2006

Page 2

These estimates are based on the most recent actuarial valuations prepared as of December 31, 2004. Costs for COLA adjustments other than 1.0% would be proportionate to the above values.

If you have any questions, let me know.

Sincerely,



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

MVH/mt

CHARLES W. DUNN

CONSULTING ACTUARY

Phone/Fax: (919) 787-8989

*2008 Nancy Ann Drive
Raleigh, NC 27607*

May 19, 2006

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

RE: COLA to provide a 1.0% increase to retirees of the Legislative Retirement System

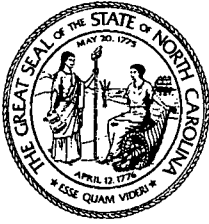
Dear Mr. Moore:

This COLA would provide an increase of 1.0% in the retirement allowance for beneficiaries of the Legislative Retirement System who retired on or before January 1, 2006. A prorated amount of the 1.0% increase would be provided for the beneficiaries who retired after January 1, 2006, but before July 1, 2006. The increase would be effective July 1, 2006.

The estimated cost of this increase as a percent of payroll is 0.80% for a 5-year amortization period and 0.55% for an 8-year amortization period.

Sincerely yours,

Charles W. Dunn, FSA, MAAA



HOUSE BILL 2652: Retirement System COLAs

BILL ANALYSIS

Committee: House Pensions and Retirement
Introduced by: Reps. Bell, Wilson
Version: First Edition

Date: June 5, 2006
Summary by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 2652 provides a three and four-tenths percent (3.4%) post-retirement increase to retired beneficiaries of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System; and it provides a two and eight-tenths percent (2.8%) post-retirement increase to retired beneficiaries of the Local Governmental Employees' Retirement System.*

BILL ANALYSIS:

Section 1 pertains to the benefits of the *Teachers' and State Employees' Retirement System of North Carolina*. House Bill 2652 increases by three and four-tenths percent (3.4%), the retirement allowance paid to or on account of beneficiaries whose retirement commenced on or before July 1, 2005. Beneficiaries whose retirement commences after July 1, 2005, but before June 30, 2006 shall receive a prorated amount of the increase.

Section 2 pertains to the benefits of the *North Carolina Local Governmental Employees' Retirement System*. House Bill 2652 increases by two and eight-tenths percent (2.8%), the retirement allowance paid to or on account of beneficiaries whose retirement commenced on or before July 1, 2005. Beneficiaries whose retirement commences after July 1, 2005, but before June 30, 2006 shall receive a prorated amount of the increase.

Section 3 pertains to the post-retirement increases in allowances in the *Legislative Retirement System of North Carolina*. House Bill 2652 increases by three and four-tenths percent (3.4%), the retirement allowance paid to or on account of beneficiaries whose retirement commenced on or before January 1, 2006. Beneficiaries whose retirement commences after January 1, 2006, but before June 30, 2006 shall receive a prorated amount of the increase.

Section 4 pertains to the post-retirement increases in allowances in the *Consolidated Judicial Retirement System*. House Bill 2652 increases by three and four-tenths percent (3.4%), the retirement allowance paid to or on account of beneficiaries whose retirement commenced on or before July 1, 2005. Beneficiaries whose retirement commences after July 1, 2005, but before June 30, 2006 shall receive a prorated amount of the increase.

This act becomes effective July 1, 2006.

H2652e1-SMSH

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

HB 2652 A BILL TO BE ENTITLED AN ACT TO PROVIDE COST-OF-LIVING INCREASES FOR 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 and recommendation that the bill be re-referred to the Committee on APPROPRIATIONS.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ The bill/resolution is re-referred to the Committee on _____.

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

June 14, 2006

The House Committee on Pensions and Retirement met Wednesday, June 14, 2006, in Room 544 of the Legislative Office Building at 9:00 a.m... The following members were present: Chairs Bell and G. Wilson, Vice-Chair B. Allen, Representatives Coleman, Folwell, Kiser, Ross, Spear 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 Tolson made a motion for a favorable report for Proposed House Committee Substitute SB 1741, 5th Edition, and the motion passed.

There being no further business, Representative Bell adjourned the meeting at 9:15 am

Attachments

1. Visitation Registration Sheet
2. PCS for SB 1741
3. Committee Report

Respectfully submitted,

Rebecca Jones-Cooper



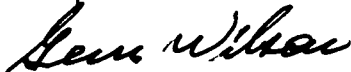
Committee Assistant

Carolyn Edwards



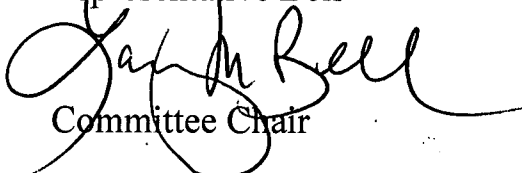
Committee Assistant

Representative Wilson



Committee Chair

Representative Bell



Committee Chair

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

**June 14, 2006
9:00 A.M.
Room 544 LOB**

CHAIRS

Representative Larry Bell

Representative Eugene Wilson

CALL TO ORDER

OPENING REMARKS

BILL TO BE CONSIDERED:

**PROPOSED HOUSE COMMITTEE SUBSTITUTION
SB 1741 - MODIFY APPROPRIATIONS ACT OF 2005**

ADJOURNMENT

VISITOR REGISTRATION SHEET

Pension & Retirement

6-14-06

Name of Committee

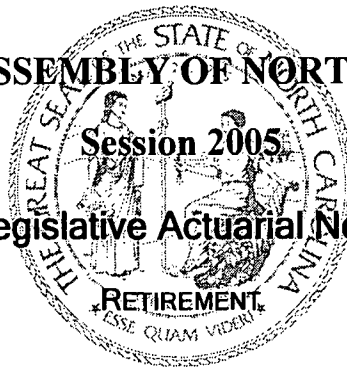
Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

<u>NAME</u>	<u>FIRM OR AGENCY</u>
Mark Lanier	UNCW
Henry H. Haff	N.C.B.A.
John H. Haff	NCFPC
Eddie Caldwell	NC Sheriff's Assn.
Jimmy Fitzgerald	NCFPC
Jim Stegall	UCPS
Kenneth Briggs	
Mike Graves	PG&E
Orin Price	NC DPT
Joe White	NCDST
ABBY PARCELL	NCDST
Stephene Caplan	DC DPT
Mark Brooks	NCAH
Alan Proden	NCAH
Molly Ben	NCSBA
Katherine Joyce	NCAH
LARRY SIMMONS	NC API
Leslie Wimmer	UNC
ELLIS HANKINS	NCIM
Pam Deardorff	NCRSP
CANDICE WHITE	NCCPS
Johanna Reese	DOT
Carolyn McKensie	NCAH
Deane Wimmer	NCSBA

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005 Legislative Actuarial Note



BILL NUMBER: Senate Bill 1741 (House Committee Substitute)

SHORT TITLE: Modify Appropriations Act of 2005.

SPONSOR(S):

SPECIAL PROVISION: PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT SYSTEM AND THE LEGISLATIVE RETIREMENT SYSTEM

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

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

EFFECTIVE DATE: July 1, 2006

PROVISION SUMMARY: Provides a post-retirement increase of 3.1% in the benefits of retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative Retirement System.

ESTIMATED IMPACT: Teachers' and State Employees' Retirement System

Retirement System Actuary: Buck Consultants estimates the cost to be 1.05% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2001-11</u>
General Fund	\$88.9M	\$92.7M	\$96.6M	\$100.7M	\$104.9M
Highway Fund	\$ 4.4M	\$ 4.6M	\$ 4.8M	\$ 5.0M	\$5.2M
Receipt Funds	<u>\$28.3M</u>	<u>\$29.5M</u>	<u>\$30.8M</u>	<u>\$32.1M</u>	<u>\$33.4M</u>
TOTAL COST	\$121.7M	\$126.8M	\$132.2M	\$137.7M	\$143.5M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.96% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General Fund	\$81.3M	\$84.8M	\$88.3M	\$92.1M	\$95.9M
Highway Fund	\$ 4.0M	\$ 4.2M	\$ 4.4M	\$ 4.5M	\$4.7M
Receipt Funds	<u>\$25.9M</u>	<u>\$27.0M</u>	<u>\$28.1M</u>	<u>\$29.3M</u>	<u>\$30.6M</u>
TOTAL COST	\$111.2M	\$115.9M	\$120.8M	\$125.9M	\$131.2M

There are available gains of 0.70% of payroll in the Teachers' and State Employees' Retirement System so an increase of 0.35% in the employer contribution rate would be necessary to pay the additional cost. The appropriation needed is as follows:

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General Fund	\$29.6M	\$30.9M	\$32.2M	\$33.6M	\$35.0M
Highway Fund	\$ 1.5M	\$ 1.5M	\$ 1.6M	\$ 1.7M	\$1.7M
Receipt Funds	<u>\$ 9.4M</u>	<u>\$ 9.8M</u>	<u>\$ 10.3M</u>	<u>\$ 10.7M</u>	<u>\$11.1M</u>
TOTAL COST	\$40.6M	\$42.3M	\$44.1M	\$45.9M	\$47.8M

Consolidated Judicial Retirement System

Retirement System Actuary: Buck Consultants estimates the cost to be 1.64% of payroll.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General Fund	\$887,240	\$912,438	\$938,351	\$965,000	\$992,406

General Assembly Actuary: Hartman & Associates estimates the cost to be 1.49% of payroll.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General Fund	\$806,090	\$828,983	\$852,526	\$876,738	\$901,637

There are available gains in the Consolidated Judicial Retirement System so no additional appropriation is needed.

Legislative Retirement System

Retirement System Actuary: Charles Dunn estimates the cost to be 1.71% of payroll.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General Fund	\$61,988	\$61,988	\$61,988	\$61,988	\$61,988

General Assembly Actuary: Hartman & Associates estimates the cost to be 1.52% of payroll.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General Fund	\$55,100	\$55,100	\$55,100	\$55,100	\$55,100

SPECIAL PROVISION: INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND

FUNDS AFFECTED: General Fund

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

EFFECTIVE DATE: July 1, 2006

PROVISION SUMMARY: Increases the monthly benefit to retirees and future retirees of the Firemen's and Rescue Squad Workers' Pension Fund from \$163 to \$165.

ESTIMATED IMPACT ON STATE:

Both the Fund's actuary, Buck Consultants and the General Assembly's actuary, Hartman & Associates, LLC, estimates the cost to be as follows:

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-2011</u>
Benefit Increase	\$625,000	\$625,000	\$625,000	\$625,000	\$625,000

There are actuarial gains in the Fund in the amount of \$111,000 so an appropriation of \$514,000 is required.

SPECIAL PROVISION: INCREASE THE MAXIMUM MONTHLY PENSION BENEFITS FOR RETIRED MEMBERS OF THE NORTH CAROLINA NATIONAL GUARD

FUNDS AFFECTED: General Fund

SYSTEM OR PROGRAM AFFECTED: North Carolina National Guard Pension Fund

EFFECTIVE DATE: July 1, 2006

PROVISION SUMMARY: Increases the benefit from the North Carolina National Guard Pension Fund from \$75 to \$80 per month for the first 20 years of creditable service and from \$7.50 to \$8.00 per month for each additional year of creditable service with the maximum benefit increased from \$150 to \$160 per month.

ESTIMATED IMPACT ON STATE: Both, Buck Consultants, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost will be as follows:

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-2011</u>
Benefit Increase	\$964,000	\$964,000	\$964,000	\$964,000	\$964,000

There are no gains within the Fund so a General Fund appropriation in the above amounts will be required. The accrued liability would be liquidated in a nine-year period of time.

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, 2004 actuarial valuation of the fund. The data included 311,612 active members with an annual payroll of \$10.4 billion and 128,577 retired members in receipt of annual pensions totaling \$2.3 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 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, 2004 actuarial valuation of the fund. The data included 490 active members with an annual payroll of \$49.4 million and 420 retired members in receipt of annual pensions totaling \$20.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality 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, 2004 actuarial valuation of the fund. The data included 169 active members with an annual payroll of \$3.7 million and 236 retired members in receipt of annual pensions totaling \$1.5 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1971 Group Annuity Mortality Tables for deaths in service after retirement and (c) 100% vesting after five years of service with no assumptions for terminations other than death and disability. The actuarial cost method used was the projected unit credit cost method with service prorated. The actuarial liability is computed by using member service to date and attributing an equal benefit amount to each year of credited and expected future service. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

Firemen and Rescue Squad Workers' Pension Fund

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the June 30, 2005 actuarial valuation of the fund. The data included 33,520 active members and 9,495 retired members in receipt of annual pensions totaling \$18.6 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.

North Carolina National Guard Pension Fund

The cost estimates of the Fund's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2004 actuarial valuation of the fund. The data included 8,005 active members, 6,924 former members entitled to deferred benefits and 2,461 retired members in receipt of annual pensions totaling \$2.3 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1979 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: Buck Consultants
Hartman & Associates, LLC
Charles W. Dunn

TECHNICAL CONSIDERATIONS: None

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: Lynn Muchmore, Director
Fiscal Research Division

DATE: June 13, 2005



Signed Copy Located in the NCGA Principal Clerk's Offices



March 15, 2006

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

Re: 1% COLA

Dear Mr. Joyal:

We have received Mr. Stanley Moore's request of March 13 regarding information that affects the Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System.

TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

The cost of 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 or before July 1, 2005, and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 2005 and before June 30, 2006, with all increases payable effective July 1, 2006 is 0.34% of payroll.

CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

The cost of 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 or before July 1, 2005 and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 2005 and before June 30, 2006, with all increases payable effective July 1, 2006 is 0.53% of payroll.

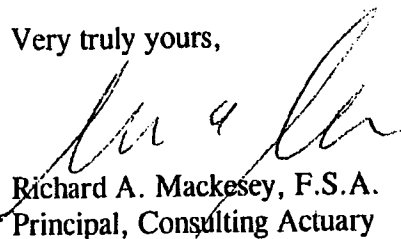
These costs are based on the results of the December 31, 2004 valuation, with an update for the assumption changes that will be proposed in April for the December 31, 2005 valuation of the Teachers' and State Employees' Retirement System.



Mr. J. Brett Joyal
March 15, 2006
Page 2

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, F.S.A.
Principal, Consulting Actuary

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HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

hartman@triad.rr

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

March 30, 2006

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, LGERS, CJRS and LRS Systems

Dear Mr. Moore:

You have requested the cost of providing a 1.0% cost of living adjustment, effective July 1, 2006, for beneficiaries of the Teachers' and State Employees' Retirement System (TSERS), the Local Governmental Employees' Retirement System (LGERS), the Consolidated Judicial Retirement System (CJRS) and the Legislative Retirement System (LRS). The specific benefit increases are as follows:

1. In the TSERS, LGERS and CJRS, increase the retirement allowance 1.0% for all beneficiaries who retired on or before July 1, 2005, with a prorated increase for retirements between July 1, 2005 and June 30, 2006.
2. In the LRS, increase the retirement allowance 1.0% for all beneficiaries who retired on or before January 1, 2006, with a prorated increase for retirements after January 1, 2006 and before June 30, 2006.

The estimated costs for a 1% COLA are shown below for each system. Costs are for the fiscal year beginning July 1, 2006 and are expressed as a percentage of payroll.

System	Cost of 1% COLA	Amort. Period for Unfunded Liability
TSERS	0.31%	9 years
LGERS	0.13%	N/A
CJRS	0.48%	9 years
LRS	0.49%	8 years

Mr. Stanley Moore
March 30, 2006

Page 2

These estimates are based on the most recent actuarial valuations prepared as of December 31, 2004. Costs for COLA adjustments other than 1.0% would be proportionate to the above values.

If you have any questions, let me know.

Sincerely,



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

MVH/mt

CHARLES W. DUNN

CONSULTING ACTUARY

Phone/Fax: (919) 787-8989

*2008 Nancy Ann Drive
Raleigh, NC 27607*

May 19, 2006

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

RE: COLA to provide a 1.0% increase to retirees of the Legislative Retirement System

Dear Mr. Moore:

This COLA would provide an increase of 1.0% in the retirement allowance for beneficiaries of the Legislative Retirement System who retired on or before January 1, 2006. A prorated amount of the 1.0% increase would be provided for the beneficiaries who retired after January 1, 2006, but before July 1, 2006. The increase would be effective July 1, 2006.

The estimated cost of this increase as a percent of payroll is 0.80% for a 5-year amortization period and 0.55% for an 8-year amortization period.

Sincerely yours,

Charles W. Dunn, FSA, MAAA



March 15, 2006

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

Re: \$1 Benefit Increase

Dear Mr. Joyal:

We have received Mr. Stanley Moore's request of March 13 regarding information that affects the Firemen's and Rescue Squad Workers' Pension Fund (the Fund).

The current monthly pension payment is \$163.00 to all pensioners. The cost of a one-dollar (\$1.00) increase to \$164.00 payable monthly to current and future pensioners from this Pension Fund is as follows:

**ADDITIONAL ANNUAL CONTRIBUTIONS PAYABLE BY THE STATE
FOR AN INCREASE IN PENSION FROM \$163 TO \$164
FOR CURRENT AND FUTURE RETIRED MEMBERS**

Additional contribution for \$1.00 increase:

Normal	\$ 42,905
Accrued liability	269,576
Total	<u>\$ 312,481</u>

Available annual contribution due to actuarial gains
From June 30, 2005 valuation

\$ 111,399

Additional appropriation required

\$ 201,082

This cost estimate is based on the Fund's valuation as of June 30, 2005, including a funding basis of nine years for liquidation of unfunded accrued liabilities. Under the assumption that \$7,815,058 is the budgeted annual contribution amount for the 2006-2007 fiscal year and assuming no repayment of the \$676,375 net pension obligation, there is \$111,399 available from actuarial gains as of June 30, 2005 to offset the required contributions for benefit improvements. The annual cost of this

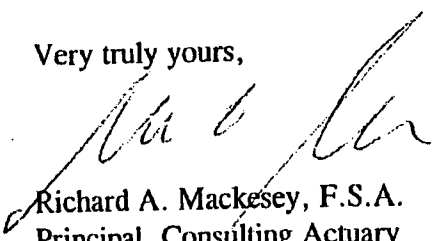


Mr. J. Brett Joyal
March 15, 2006
Page 2

increase is \$312,481. Therefore, this increase would require an additional appropriation of \$201,082 for the 2006-2007 fiscal year.

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, F.S.A.
Principal, Consulting Actuary

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668 Link Road
Lexington, NC 27295

March 28, 2006

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

Re: \$1 Increase in the Monthly Pension for Members of the FRSW

Dear Mr. Moore:

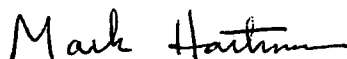
You have requested the cost of a \$1.00 increase in the monthly retirement benefit in the Firemen's and Rescue Squad Workers' Pension Fund (FRSW). Currently, the FRSW provides a retirement benefit of \$163 per month for current and future retirees. The increase would become effective July 1, 2006.

An 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 for each \$1.00 increase in the benefit amount for the fiscal year beginning July 1, 2006, is \$312,601.

This estimate is based on the data contained in the most recent actuarial valuation prepared as of June 30, 2005. Costs for benefit adjustments other than \$1.00 would be proportionate to the above values.

If you have any questions, let me know.

Sincerely,



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

MVH/mt



May 10, 2006

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

Re: Pension Increase Proposal

Dear Mr. Joyal:

We have received Mr. Stanley Moore's request of May 10 regarding a pension increase proposal, which affects the National Guard Pension Fund.

This proposal would revise G.S. 127A-40(a) by increasing the base pension for every member and former member who meets the requirements from \$75.00 per month to \$80.00 per month for 20 years of creditable military service; the pension increase for each additional year of military service will be raised from \$7.50 per month to \$8.00 per month; the maximum pension allowed will be increased under this legislation from \$150.00 per month to \$160.00 per month.

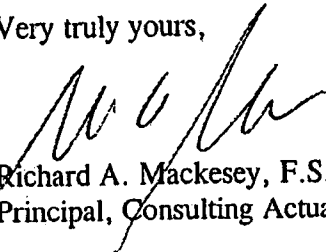
Our cost estimate for this proposal is based on the Fund's valuation as of December 31, 2004, including a funding basis of nine years for liquidation of unfunded accrued liabilities. The annual cost of this proposal is \$963,982. Therefore, this proposal would require an additional appropriation of \$963,982 for the 2006-2007 fiscal year. The following table shows the required annual contribution for this proposal.

**ADDITIONAL ANNUAL CONTRIBUTIONS PAYABLE BY THE STATE
FOR PENSION INCREASE PROPOSAL
FOR CURRENT AND FUTURE RETIRED MEMBERS**

Additional contribution:	
Normal	\$ 31,540
Accrued liability	932,442
Total	\$ 963,982

If you have any questions concerning this information, please let us know.

Very truly yours,



Richard A. Mackesey, F.S.A.
Principal, Consulting Actuary

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668 Link Road
Lexington, NC 27295

May 17, 2006

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

Re: Proposed Increase in the Maximum Monthly Pension for Retired
Members of the North Carolina National Guard

Dear Mr. Moore:

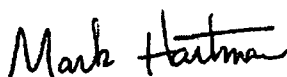
This proposal would amend G.S. 127A-40(a) to increase the retirement benefits payable from the North Carolina National Guard Pension Fund. Currently, the Fund provides a benefit for eligible retired members of \$75 per month for 20 years of creditable service plus \$7.50 per month for each additional year of service, subject to a maximum benefit of \$150 per month. This proposal would increase the retirement benefit to \$80 per month for 20 years of creditable service plus \$8.00 per month for each additional year of service, subject to a maximum benefit of \$160 per month. I have assumed the increase is effective July 1, 2006.

This change would increase the retirement benefit for both current and future retirees. This would 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 for the fiscal year beginning July 1, 2006 is \$963,500.

This estimate is based on the data contained in the most recent actuarial valuation prepared as of December 31, 2004.

If you have any questions, let me know.

Sincerely,



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

MVH/mt

1 **SECTION 29.15.(c)** The Director of the Budget shall consult with the Joint
Legislative Commission on Governmental Operations prior to transferring any salary
adjustment funds for any State agency.

4 **SECTION 29.15.(d)** The Director of the Budget ~~may transfer may:~~

5 (1) ~~Transfer to General Fund budget codes from the General Fund Salary~~
6 ~~Adjustment Fund and may transfer to Highway Fund budget codes~~
7 ~~from the Highway Fund Salary Adjustment Fund amounts required to~~
8 ~~support salary adjustments authorized by this section. section, not to~~
9 ~~exceed the sum of eighteen million nine hundred thousand dollars~~
10 ~~(\$18,900,000), with the oldest of the pending adjustments to be funded~~
11 ~~first.~~

12 (2) ~~Transfer to Highway Fund budget codes from the Highway Fund~~
13 ~~Salary Adjustment Fund amounts required to support salary~~
14 ~~adjustments authorized by this section.~~

15 **SECTION 29.15.(e)** The Judicial Department is eligible for the funding authorized
16 in subsection (a) of this section."

17 **SUSPEND CAREER BANDING INITIATIVE**

18 **SECTION 22.15A.** Notwithstanding any other provision of law, the State
19 Personnel Commission, the Office of State Personnel, and each State department,
20 agency, and institution shall suspend further implementation of career banding pending
21 subsequent action by the General Assembly after its review of the State Personnel Act,
22 including the traditional graded classification system and career banding.

24 **SALARY-RELATED CONTRIBUTIONS/EMPLOYER**

25 **SECTION 22.17.** Section 29.24(c) of S.L. 2005-276 reads as rewritten:

26 "SECTION 29.24.(c) Effective July 1, 2006, the State's employer contribution rates
27 budgeted for retirement and related benefits as percentage of covered salaries for the
28 2006-2007 fiscal year are: (i) ~~six and eighty-two hundredths percent (6.82%)~~ seven and
29 seventeen hundredths percent (7.17%) – Teachers and State Employees; (ii) ~~eleven and~~
30 ~~eighty-two hundredths percent (11.82%)~~ twelve and seventeen hundredths percent
31 (12.17%) – State Law Enforcement Officers; (iii) eleven and sixteen hundredths percent
32 (11.16%) – University Employees' Optional Retirement System; (iv) eleven and sixteen
33 hundredths percent (11.16%) – Community College Optional Retirement Program; (v)
34 sixteen and thirty-nine hundredths percent (16.39%) – Consolidated Judicial Retirement
35 System; and (vi) three and eight-tenths percent (3.8%) – Legislative Retirement System.
36 Each of the foregoing contribution rates includes three and eight-tenths percent (3.8%)
37 for hospital and medical benefits. The rate for Teachers and State Employees, State Law
38 Enforcement Officers, Community College Optional Retirement Program, and for the
39 University Employees' Optional Retirement Program includes fifty-two hundredths
40 percent (0.52%) for the Disability Income Plan. The rates for Teachers and State
41 Employees and State Law Enforcement Officers include sixteen hundredths percent
42 (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers
43 includes five percent (5%) for Supplemental Retirement Income."

45 **PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE** 46 **TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE** 47 **JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE** 48 **RETIREMENT SYSTEM**

49 **SECTION 22.18.(a)** G.S. 135-5 is amended by adding a new subsection to
50 read:

51 "(ooo) From and after July 1, 2006, the retirement allowance to or on account of
52 beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased
53 by three and one-tenth percent (3.1%) of the allowance payable on June 1, 2006, in
54 accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2006, the retirement
55

allowance to or on account of beneficiaries whose retirement commenced after July 1, 2005, but before June 30, 2006, shall be increased by a prorated amount of three and one-tenth percent (3.1%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2005, and June 30, 2006."

SECTION 22.18.(b) G.S. 120-4.22A is amended by adding a new subsection to read:

"(u) In accordance with subsection (a) of this section, from and after July 1, 2006, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 2006, shall be increased by three and one-tenth percent (3.1%) of the allowance payable on June 1, 2006. Furthermore, from and after July 1, 2006, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 2006, but before June 30, 2006, shall be increased by a prorated amount of three and one-tenth percent (3.1%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2006, and June 30, 2006."

SECTION 22.18.(c) G.S. 135-65 is amended by adding a new subsection to read:

"(aa) From and after July 1, 2006, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased by three and one-tenth percent (3.1%) of the allowance payable on June 1, 2006. Furthermore, from and after July 1, 2006, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2005, but before June 30, 2006, shall be increased by a prorated amount of three and one-tenth percent (3.1%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2005, and June 30, 2006."

INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND

SECTION 22.19. 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 sixty-three dollars (\$163.00)~~ one hundred sixty-five dollars (\$165.00) per month. Any retired fireman receiving a pension shall, effective July 1, 2005, July 1, 2006, receive a pension of ~~one hundred sixty-three dollars (\$163.00)~~ 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 sixty-three dollars (\$163.00)~~ 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

1 annually thereafter. Any disabled member shall not be required to make the monthly
2 payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

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

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

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

27 28 **INCREASE THE MAXIMUM MONTHLY PENSION BENEFITS FOR** 29 **RETIRED MEMBERS OF THE NORTH CAROLINA NATIONAL GUARD**

30 **SECTION 22.20.** G.S. 127A-40(a) reads as rewritten:

31 "(a) Every member and former member of the North Carolina national guard who
32 meets the requirements hereinafter set forth shall receive, commencing at age 60, a
33 pension of ~~seventy-five dollars (\$75.00)~~ eighty dollars (\$80.00) per month for 20 years'
34 creditable military service with an additional ~~seven dollars and fifty cents (\$7.50)~~ eight
35 dollars (\$8.00) per month for each additional year of such service; provided, however,
36 that the total pension shall not exceed ~~one hundred fifty dollars (\$150.00)~~ one hundred
37 sixty dollars (\$160.00) per month. The requirements for such pension are that each
38 member shall:

- 39 (1) Have served and qualified for at least 20 years' creditable military
40 service, including national guard, reserve and active duty, under the
41 same requirement specified for entitlement to retired pay for
42 nonregular service under Chapter 67, Title 10, United States Code.
- 43 (2) Have at least 15 years of the aforementioned service as a member of
44 the North Carolina national guard.
- 45 (3) Have received an honorable discharge from the North Carolina
46 national guard."

47 48 **PART XXIII. CAPITAL APPROPRIATIONS**

49 50 **CAPITAL APPROPRIATIONS/GENERAL FUND**

51 **SECTION 23.1.** There is appropriated from the General Fund for the
52 2006-2007 fiscal year the following amounts for capital improvements:

53
54 **Capital Improvements – General Fund**

2006-2007

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☒ House Committee Substitute for

SB 1741

A BILL TO BE ENTITLED AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL APPROPRIATIONS ACT OF 2005; TO SET THE PUBLIC UTILITIES REGULATORY FEE AND THE INSURANCE REGULATORY CHARGE; TO AUTHORIZE A PRIVATE WELL WATER TESTING FEE; TO CLARIFY FEES FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICE FACILITIES; TO MAKE A TECHNICAL CORRECTION TO THE LICENSURE FEE CAP FOR REVIEW OF HEALTH CARE FACILITY CONSTRUCTION PROJECTS; TO REPEAL THE FEE FOR MINE SAFETY EDUCATION/TRAINING PROGRAMS; TO INCREASE THE PUBLIC WATER SYSTEMS ANNUAL OPERATING PERMIT FEES; TO IMPOSE PUBLIC WATER SYSTEM PLAN REVIEW FEES; TO LOWER THE STATE SALES AND USE TAX BY ONE QUARTER PERCENTAGE POINT EFFECTIVE JANUARY 1, 2007; TO LOWER THE UPPER INCOME TAX RATE BY ONE EIGHTH PERCENTAGE POINT EFFECTIVE FOR TAXABLE YEARS BEGINNING ON OR AFTER JANUARY 1, 2007; TO PROVIDE FOR A HEALTH INSURANCE TAX CREDIT CAPPED AT \$200 PER ELIGIBLE EMPLOYEE; TO EXPAND THE DEFINITION OF A DEVELOPMENT ZONE TO INCLUDE AN ECONOMIC DEVELOPMENT AND TRAINING DISTRICT; TO EXTEND THE SUNSET ON AVIATION FUEL SOLD TO MOTORSPORTS RACING TEAMS; TO ENHANCE THE TAX BENEFITS RELATING TO ETHYL ALCOHOL AND BIODIESEL; TO PROVIDE FOR A SALES AND USE TAX BENEFIT FOR RESEARCH AND DEVELOPMENT COMPANIES; AND TO ELIMINATE SALES AND USE TAX REFUNDS FOR PURCHASES OF ALCOHOLIC BEVERAGES.

☒ With a favorable report.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of _____.

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

June 21, 2006

The House Committee on Pensions and Retirement met Wednesday, June 21, 2006, 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 B. Allen, Representatives Coleman, Folwell, Ross, Spear and Tolson. Research Staff Karen Cochran 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 introduced Senator Dalton to explain Senate Bill 1738 AN ACT TO PROVIDE FOR TRIAL REHABILITATION PERIODS FOR PERSONS WHO HAVE BEEN RECEIVING LONG-TERM DISABILITY BENEFITS UNDER THE DISABILITY INCOME PLAN OF NORTH CAROLINA TO ALLOW THOSE PERSONS TO ATTEMPT A RETURN TO WORK WITHOUT BEING PENALIZED, AND TO EXTEND THE EFFECTIVE DATE OF CHANGES TO THE DISABILITY PLAN. (Attachment 2) A House Committee Substitute Bill was offered for Senate Bill 1738. (Attachment 3) Representative Wilson moved that it be adopted for committee consideration. The motion passed. Representative Ross moved for a favorable report as to the House Committee Substitute Bill, unfavorable as to the original bill. The motion passed. Committee Report (Attachment 4)

Representative Bell introduced Representative Saunders to explain House Bill 2223. A BILL TO BE ENTITLED AN ACT TO AMEND THE LAW ESTABLISHING THE CHARLOTTE FIREMEN'S RETIREMENT SYSTEM. (ATTACHMENT 5) A Proposed Committee Substitute was offered. (Attachment 6) Representative Wilson moved that it be adopted for committee consideration. The motion passed. Representative Ross moved for a favorable report as to the House Committee Substitute Bill, which changes the title, unfavorable as to the original bill. The motion passed. Committee Report (Attachment 7)

Representative Bell introduced Representative Tucker to explain House Bill 1227 AN ACT TO REVISE THE MEMBERSHIP OF THE BOARD OF TRUSTEES OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM. (Attachment 8) Representative Ross moved that the House concur. The motion passed. Committee Report (Attachment 9)

Representative Wilson introduced Representative Bell to explain House Bill 2651 A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR ROTH 401K CONTRIBUTIONS FOR LAW ENFORCEMENT OFFICERS. (ATTACHMENT 10). Representative Ross moved for a favorable report. The motion passed. Committee Report (Attachment 11)

Representative Bell introduced Stanley Moore, to speak on the behalf of Representative Insko, to explain House Bill 853 A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR THE PURCHASE OF CREDITABLE SERVICE FOR PERIODS OF SERVICE UNDER THE OPTIONAL RETIREMENT PROGRAM FOR STATE INSTITUTIONS OF HIGHER EDUCATION. (Attachment 12) A Proposed Committee Substitute was offered. (Attachment 13) Representative Wilson moved that it be adopted for committee consideration. The motion passed. Representative Spear moved for a favorable report as to the Proposed Committee Substitute Bill, which changes the title, unfavorable as to the original bill. The motion passed. Committee Report (Attachment 14)

Representative Bell introduced Representative Womble to explain House Bill 2061 A BILL TO BE ENTITLED AN ACT TO ALLOW FOR CERTAIN TRANSFERS OF SERVICE FROM THE LEGISLATIVE RETIREMENT SYSTEM. (Attachment 15) Representative Allen moved for a favorable report and recommendation that the bill be re-referred to the committee on appropriations. The motion passed. Committee Report (Attachment 16)

Representative Bell introduced Representative Glazier to explain House Bill 1910 A BILL TO BE ENTITLED AN ACT TO AMEND THE LAW AFFECTING RETIREES RETURNING TOWORK. (Attachment 17) A Proposed Committee Substitute was offered to the committee. (Attachment 18) Representative Wilson moved that it be adopted for committee consideration. The motion passed. Representative Allen moved for a favorable report as to the committee substitute bill, unfavorable as to the original bill, and recommendation that the committee substitute bill be

re-referred to the committee on appropriations. The motion passed.
Committee Report (Attachment 19)

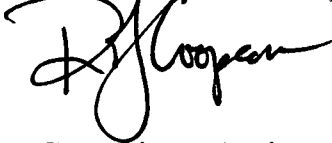
There being no further business, Representative Bell adjourned the meeting at 10:55 a.m.

Attachments

1. Visitation Registration Sheet
2. HB 1738
3. PCS for HB 1738
4. Committee Report
5. HB 2223
6. PCS for HB 2223
7. Committee Report
8. HB 1227
9. Committee Report
10. HB 2651
11. Committee Report
12. HB 853
13. PCS for HB 853
14. Committee Report
15. HB 2061
16. Committee Report
17. HB 1910
18. PCS for HB for 1910
19. Committee Report

Respectfully submitted,

Rebecca Jones-Cooper



Committee Assistant

Carolyn Edwards



Committee Assistant

Representative Wilson



Committee Chair

Representative Bell



Committee Chair

Rebecca Jones (Rep. G. Wilson)

From: Carolyn Edwards (Rep. Bell)
Sent: Tuesday, June 20, 2006 4:50 PM
To: Sen. Walter Dalton; Rep. Rick Glazier; Rep. Becky Carney; Rep. Douglas Yongue; Rep. Marvin Lucas; Rep. Maggie Jeffus; Rep. Larry Womble; Rep. Martha Alexander; Rep. Verla Insko; Rep. Russell Tucker
Cc: Stanley Moore (Fiscal Research); Karen Cochrane-Brown (Research); Theresa Matula (Research); Rep. Gene Wilson; Rep. Larry Bell
Subject: Pensions and Retirement Agenda

AGENDA**HOUSE PENSIONS AND RETIREMENT COMMITTEE**

**June 21, 2006
10:00 A. M.
Room 544 LOB**

**Representative Larry M. Bell
Presiding Chair**

LL TO ORDER**ENING REMARKS****LL TO BE CONSIDERED:**

SB 1738 - Long-Term Disability Amendment - Sen. Dalton
HB 1910 - Retirees Returning to Work - Reps. Glazier, Carney, Yongue, Lucas
HB 2061 - Legislative Retiree Repayment and Transfer - Reps. B. Allen, Jeffus, Womble
HB 2223 - Charlotte Firefighter Retirement Changes - Rep. Alexander
HB 853 - Reciprocity/Optional Retirement System - Rep. Insko
HB 2651 - Roth 401k Accounts/Law Enforcement Officers - Reps. Bell, Wilson
HB 1237 - Change Local Governmental Retirement Board - Rep. Tucker

JOURNMENT

airs:

representative L. Bell

representative G. Wilson

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

June 21, 2006

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Emily MacNaughten	NCPAPA
Ruth Cook	
Kerrin Fitzgerald	UNC
Leslie Wimmer	UNC
Jim Culbreth	Helm's Mulliss Wickor
Marge Forman	INCAE
Jeff Wolfe	Daily Bulletin
Pat Porter	UNC
David Anders	PFFPWC
Richard O'Brien	PFFPWC
Johanna Reese	DOT

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

June 21, 2006

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Ken & Bazz	NCCC5
Henry Simmons	NC DPI
A. Parnell	NC DST
Joe White	"
Gertie Cozart	NMRS
Andy Rount	NCLM.
Rene Murr	NCAAC
Boyd Canale	City of Charlotte
Colleen Kochanek	Smith Moore
EW Schallpeter	UNC-GA
Rich Webb	NCGA

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

June 21, 2006

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME _____

FIRM OR AGENCY AND ADDRESS

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GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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SENATE BILL 1738
Second Edition Engrossed 6/8/06

Short Title: Long-Term Disability Amendment.

(Public)

Sponsors: Senator Dalton.

Referred to: Rules and Operations of the Senate.

May 23, 2006

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR TRIAL REHABILITATION PERIODS FOR PERSONS WHO HAVE BEEN RECEIVING LONG-TERM DISABILITY BENEFITS UNDER THE DISABILITY INCOME PLAN OF NORTH CAROLINA TO ALLOW THOSE PERSONS TO ATTEMPT A RETURN TO WORK WITHOUT BEING PENALIZED, AND TO EXTEND THE EFFECTIVE DATE OF CHANGES TO THE DISABILITY PLAN.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-101(20) reads as rewritten:

"(20) "Trial Rehabilitation" shall mean a return to service in any capacity, if the return occurs within the waiting period as provided in G.S. 135-104 and shall mean a return to service in the same capacity that existed prior to the disability if the return occurs within the short-term disability period as provided in ~~G.S. 135-105~~ G.S. 135-105 or within the long-term disability period as provided in G.S. 135-106."

SECTION 2. Effective August 1, 2007, G.S. 135-101(20), as rewritten by

Section 1 of this act, reads as rewritten:

"(20) "Trial Rehabilitation" shall mean a return to service in any capacity, if the return occurs within the waiting period as provided in ~~G.S. 135-104~~ G.S. 135-104; shall mean a return to service in the same capacity that existed prior to the disability if the return occurs within the short-term disability period as provided in ~~G.S. 135-105~~ G.S. 135-105 or ~~within the long-term disability period as provided in G.S. 135-106.~~ G.S. 135-105; and shall mean a return to service in any capacity and in any position provided the salary earned is equal to or greater than the salary upon which the long-term disability benefit is based immediately preceding the return to service, if the return occurs within the long-term disability period as provided in G.S. 135-106."

SECTION 3. G.S. 135-106 is amended by adding a new subsection to read:

1 "(c1) During the long-term disability period, a beneficiary may return to service for
2 trial rehabilitation for periods of not greater than 36 months of continuous service. Such
3 return will not cause the beneficiary to become a participant and will not require a new
4 waiting period or short-term disability period to commence regardless of whether the
5 beneficiary is unable to continue in service due to the same incapacity or a different
6 incapacity.

7 A beneficiary who, during a period of trial rehabilitation, is unable to continue in
8 service may be entitled to a restoration of the long-term disability benefit provided that
9 the Medical Board certifies that the beneficiary is disabled in accordance with the laws
10 in effect at the time of the Board's original approval for long-term disability benefits,
11 either due to the same or a different incapacity, notwithstanding the requirement the
12 incapacity has been continuous. In the event that the Medical Board determines that the
13 long-term disability benefit should be restored, the restored benefit should be calculated
14 in accordance with G.S. 135-106(b); should include any post-disability benefit
15 adjustments as provided by G.S. 135-108; and should not be reduced by an amount
16 equal to a primary Social Security disability benefit to which the beneficiary might be
17 entitled had the beneficiary been awarded Social Security benefits until the beneficiary
18 has been eligible to receive long-term disability benefits for 36 months, including any
19 period the beneficiary elected to receive any salary continuation in lieu of the long-term
20 benefit, but not including any period of trial rehabilitation.

21 A beneficiary who returns to service for a period of trial rehabilitation and who has
22 continued in service for greater than 36 continuous months, shall again become a
23 participant and any subsequent incapacity shall be treated as a new incapacity causing a
24 new waiting period to begin. Such a beneficiary may be entitled to additional long-term
25 disability benefits on account of the new incapacity provided the beneficiary meets all
26 other requirements notwithstanding the requirement of five years of membership service
27 within the 96 calendar months prior to becoming disabled or the cessation of continuous
28 salary continuation payments."

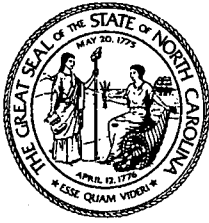
29 **SECTION 4(a).** The introductory language of Section 4 of S.L. 2004-78, as
30 amended by Section 29.30B(a) of S.L. 2005-276, reads as rewritten:

31 **"SECTION 4.** Effective August 1, ~~2006~~, 2007, G.S. 135-106(a), as rewritten by
32 Section 3 of this act, reads as rewritten:"

33 **SECTION 4(b).** Section 6 of S.L. 2004-78, as amended by Section
34 29.30B(b) of S.L. 2005-276, reads as rewritten:

35 **"SECTION 6.** Sections 1 through 3 are effective retroactively from and after July
36 1, 2003. Section 4 of this act becomes effective August 1, ~~2006~~, 2007, and applies only
37 to persons who are not vested in the disability plan in question on that date. The
38 remainder of this act becomes effective when it becomes law."

39 **SECTION 5.** Section 2 of this act becomes effective August 1, 2007. The
40 remainder of this act becomes effective July 1, 2002.



SENATE BILL 1738: Long-Term Disability Amendment

BILL ANALYSIS

Committee:	Senate Pensions & Retirement and Aging	Date:	June 20, 2006
Introduced by:	Sen. Dalton	Summary by:	Karen Cochrane-Brown
Version:	Second Edition		Committee Counsel

SUMMARY: *Senate Bill 1738 would authorize trial rehabilitation periods for persons who have been receiving long-term disability benefits under the Disability Income Plan to allow those persons to attempt to return to work without being penalized.*

[As introduced, this bill was identical to H2439, as introduced by Rep. Moore, which is currently in House Pensions and Retirement.]

CURRENT LAW:

Under current law, a person who is disabled and seeking benefits under the Disability Income Plan may return to service to attempt a trial rehabilitation during the 60 day waiting period for up to five continuous days of service without causing a new waiting period to begin. In addition, a person may attempt a trial rehabilitation during the one year period of short-term disability. The beneficiary may return to service for a period of not more than 40 continuous days without causing a new waiting period or short-term disability period to commence.

However, once the beneficiary begins receiving long-term disability benefits, there is no provision for a period of trial rehabilitation.

BILL ANALYSIS:

Senate Bill 1738 amends the definition of the term "trial rehabilitation" to include a return to service within the long-term disability period. The period of trial rehabilitation may not exceed 36 months of continuous service. The return to service under these circumstances will not require a member to become a participant and member of the Retirement System, nor will it require a new waiting period.

A beneficiary who is unable to continue in service due to the disability may be restored to long-term disability status if the Medical Board certifies that the beneficiary meets the disability standard.

If the beneficiary continues in service for more than 36 continuous months, the beneficiary will again become a participant and any subsequent incapacity will be treated as a new disability and will require a new waiting period.

The second edition includes an amendment that extends the effective date of changes to the Disability Income Plan that were enacted in 2004. S.L. 2004-78 amended the definition of the term "disability" and the standard by which applicants for disability are measured. This provision was made effective August 1, 2005. It was extended by one year in last year's budget and this bill would extend it for another year until August 1, 2007. A conforming change is also made to Section 2 of the bill.

EFFECTIVE DATE: Section 2 becomes effective August 1, 2007. Section 4 becomes effective when it becomes law. The remainder of the act would become effective July 1, 2002.

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NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 1738

S1738-ARO-55 [v.1]

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

Page 1 of 1

Date _____, 2006

Comm. Sub. [NO]
Amends Title [NO]
Second Edition

Representative _____

1 moves to amend the bill on page 2, line 39, by rewriting the line to read:
2

3 "SECTION 5. Section 2 of this act becomes effective August 1, 2007.
4 Section 4 of this act becomes effective when it becomes law. The".
5

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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SENATE BILL 1738
Second Edition Engrossed 6/8/06
PROPOSED HOUSE COMMITTEE SUBSTITUTE S1738-PCS55507-RO-57

Short Title: Long-Term Disability Amendment. (Public)

Sponsors:

Referred to:

May 23, 2006

A BILL TO BE ENTITLED
AN ACT TO PROVIDE FOR TRIAL REHABILITATION PERIODS FOR PERSONS
WHO HAVE BEEN RECEIVING LONG-TERM DISABILITY BENEFITS
UNDER THE DISABILITY INCOME PLAN OF NORTH CAROLINA TO
ALLOW THOSE PERSONS TO ATTEMPT A RETURN TO WORK WITHOUT
BEING PENALIZED, AND TO EXTEND THE EFFECTIVE DATE OF
CHANGES TO THE DISABILITY PLAN.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-101(20) reads as rewritten:

"(20) "Trial Rehabilitation" shall mean a return to service in any capacity, if
the return occurs within the waiting period as provided in
G.S. 135-104 and shall mean a return to service in the same capacity
that existed prior to the disability if the return occurs within the
short-term disability period as provided in ~~G.S. 135-105~~ G.S. 135-105
or within the long-term disability period as provided in G.S. 135-106."

SECTION 2. Effective August 1, 2007, G.S. 135-101(20), as rewritten by

Section 1 of this act, reads as rewritten:

"(20) "Trial Rehabilitation" shall mean a return to service in any capacity, if
the return occurs within the waiting period as provided in
~~G.S. 135-104 and~~ G.S. 135-104; shall mean a return to service in the
same capacity that existed prior to the disability if the return occurs
within the short-term disability period as provided in ~~G.S. 135-105 or~~
~~within the long-term disability period as provided in G.S. 135-106.~~
G.S. 135-105; and shall mean a return to service in any capacity and in
any position provided the salary earned is equal to or greater than the
salary upon which the long-term disability benefit is based

1 immediately preceding the return to service, if the return occurs within
2 the long-term disability period as provided in G.S. 135-106."

3 **SECTION 3.** G.S. 135-106 is amended by adding a new subsection to read:

4 "(c1) During the long-term disability period, a beneficiary may return to service for
5 trial rehabilitation for periods of not greater than 36 months of continuous service. Such
6 return will not cause the beneficiary to become a participant and will not require a new
7 waiting period or short-term disability period to commence regardless of whether the
8 beneficiary is unable to continue in service due to the same incapacity or a different
9 incapacity.

10 A beneficiary who, during a period of trial rehabilitation, is unable to continue in
11 service may be entitled to a restoration of the long-term disability benefit provided that
12 the Medical Board certifies that the beneficiary is disabled in accordance with the laws
13 in effect at the time of the Board's original approval for long-term disability benefits,
14 either due to the same or a different incapacity, notwithstanding the requirement the
15 incapacity has been continuous. In the event that the Medical Board determines that the
16 long-term disability benefit should be restored, the restored benefit should be calculated
17 in accordance with G.S. 135-106(b); should include any post-disability benefit
18 adjustments as provided by G.S. 135-108; and should not be reduced by an amount
19 equal to a primary Social Security disability benefit to which the beneficiary might be
20 entitled had the beneficiary been awarded Social Security benefits until the beneficiary
21 has been eligible to receive long-term disability benefits for 36 months, including any
22 period the beneficiary elected to receive any salary continuation in lieu of the long-term
23 benefit, but not including any period of trial rehabilitation.

24 A beneficiary who returns to service for a period of trial rehabilitation and who has
25 continued in service for greater than 36 continuous months shall again become a
26 participant, and any subsequent incapacity shall be treated as a new incapacity causing a
27 new waiting period to begin. Such a beneficiary may be entitled to additional long-term
28 disability benefits on account of the new incapacity provided the beneficiary meets all
29 other requirements notwithstanding the requirement of five years of membership service
30 within the 96 calendar months prior to becoming disabled or the cessation of continuous
31 salary continuation payments."

32 **SECTION 4.(a)** The introductory language of Section 4 of S.L. 2004-78, as
33 amended by Section 29.30B(a) of S.L. 2005-276, reads as rewritten:

34 "SECTION 4. Effective August 1, 2006, 2007, G.S. 135-106(a), as rewritten by
35 Section 3 of this act, reads as rewritten:"

36 **SECTION 4.(b)** Section 6 of S.L. 2004-78, as amended by Section
37 29.30B(b) of S.L. 2005-276, reads as rewritten:

38 "SECTION 6. Sections 1 through 3 are effective retroactively from and after July 1,
39 2003. Section 4 of this act becomes effective August 1, 2006, 2007, and applies only to
40 persons who are not vested in the disability plan in question on that date. The remainder
41 of this act becomes effective when it becomes law."

42 **SECTION 5.** Section 2 of this act becomes effective August 1, 2007.
43 Section 4 of this act is effective when it becomes law. The remainder of this act
44 becomes effective July 1, 2002.

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

SB 1738 A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR TRIAL REHABILITATION PERIODS FOR PERSONS WHO HAVE BEEN RECEIVING LONG-TERM DISABILITY BENEFITS UNDER THE DISABILITY INCOME PLAN OF NORTH CAROLINA TO ALLOW THOSE PERSONS TO ATTEMPT A RETURN TO WORK WITHOUT BEING PENALIZED, AND TO EXTEND THE EFFECTIVE DATE OF CHANGES TO THE DISABILITY PLAN.

☒ With a favorable report as to the House committee substitute bill, unfavorable as to the original bill.

(FOR JOURNAL USE ONLY)

____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on ____.

____ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. ____) is placed on the Calendar of _____. (The original bill resolution No. ____) is placed on the Unfavorable Calendar.

____ The (House) committee substitute bill/(joint) resolution (No. ____) is re-referred to the Committee on _____. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. ____) is placed on the Unfavorable Calendar.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

1

HOUSE BILL 2223*

Short Title: Charlotte Firefighters Retirement Changes. (Public)

Sponsors: Representatives Alexander; Carney, Cunningham, Earle, Gulley,
Saunders, and Vinson.

Referred to: Pensions and Retirement.

May 22, 2006

A BILL TO BE ENTITLED
AN ACT TO AMEND THE LAW ESTABLISHING THE CHARLOTTE FIREMENS'
RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. Subsection 2(9) of Chapter 926 of the 1947 Session Laws, as rewritten by Section 1 of Chapter 830 of the 1991 Session Laws, Chapter 171 of the 1995 Session Laws, Chapter 640 of the 1993 Session Laws, S.L. 1999-100, and S.L. 2001-22, reads as rewritten:

"(9) 'Compensation' means the remuneration reportable on Form W-2 earned by a Member for services performed as an employee of the Charlotte Fire Department prior to any reductions pursuant to sections 125, 401(k), 402(k), 402(e)(3), 414(h)(2), 403(b), 408(k)(6), and 457 of the Internal Revenue Code. Compensation shall include payments for unused sick and vacation days, longevity payments, bonus payments, and merit increases. For the purpose of calculating a Member's Final Average Salary, (i) payments for unused sick and vacation days shall be included as Compensation to the extent that the vacation and sick days for which payments are made could have accrued during two Plan Years of the Member's last five years of Membership Service, and (ii) payments for longevity shall be included as Compensation to the extent such payments were made during two Plan Years of the Member's last five years of Membership Service. Effective July 1, 2001, for purposes of applying the limitations described in Section 51 of this Act, compensation paid or made available during such limitation years shall also include elective amounts that are not includible in the gross income of the Member by reason of section 132(f)(4) of the Internal Revenue Code.

1 In addition to the other applicable limitations set forth in this Act,
2 and notwithstanding any other provision of this Act to the contrary, for
3 Plan Years beginning on or after January 1, 1996, the annual
4 Compensation of each Member taken into account under the Act shall
5 not exceed the OBRA '93 annual compensation limit. The OBRA '93
6 annual compensation limit is one hundred fifty thousand dollars
7 (\$150,000), as adjusted by the Commissioner for increases in the cost
8 of living in accordance with section 401(a)(17)(B) of the Internal
9 Revenue Code. The cost of living adjustment in effect for a calendar
10 year applies to any period not exceeding 12 months over which
11 Compensation is determined ('the determination period') beginning in
12 each calendar year. If a determination period consists of fewer than 12
13 months, the OBRA '93 annual compensation limit will be multiplied
14 by a fraction, the numerator of which is the number of months in the
15 determination period, and the denominator of which is 12. If
16 Compensation for any prior determination period is taken into account
17 in determining a Member's benefits accruing in the current Plan Year,
18 the Compensation for that prior determination period is subject to the
19 OBRA '93 annual compensation limit in effect for that prior
20 determination period. For this purpose, for determination periods
21 beginning before the first day of the first Plan Year beginning on or
22 after January 1, 1996, the OBRA '93 annual compensation limit is one
23 hundred fifty thousand dollars (\$150,000)."

24 **SECTION 2.** Section 13.1 of Chapter 926 of the 1947 Session Laws, as
25 rewritten by Section 1 of Chapter 830 of the 1991 Session Laws, Chapter 171 of the
26 1995 Session Laws, Chapter 640 of the 1993 Session Laws, S.L. 1999-100, and S.L.
27 2001-22, is amended by adding a new subsection to read:

28 "(c) In the event of a mandatory distribution greater than one thousand dollars that
29 is made without the Member's consent and is made to the Member before the Member
30 attains the later of age 62 or Normal Retirement Age, if the Member does not elect to
31 have such distribution paid directly to an eligible retirement plan specified by the
32 Member in a direct rollover or to receive the distribution from the Plan, the
33 Administrator shall pay the distribution in a direct rollover to an individual retirement
34 plan designated by the Administrator."

35 **SECTION 3.** None of the provisions of this act shall create an additional
36 liability for the Charlotte Firefighters' Retirement System unless sufficient assets are
37 available to pay for the liability.

38 **SECTION 4.** This act becomes effective July 1, 2006.



NORTH CAROLINA GENERAL ASSEMBLY

Legislative Services Office

George R. Hall, Legislative Services Officer

Fiscal Research Division

300 N. Salisbury Street, Suite 619
Raleigh, NC 27603-5925
Tel. 919-733-4910 Fax 919-715-3589

Lynn Muchmore
Director

May 26, 2006

MEMORANDUM

TO: Representative Martha Alexander

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 2223

Re: Charlotte Firefighters Retirement Changes

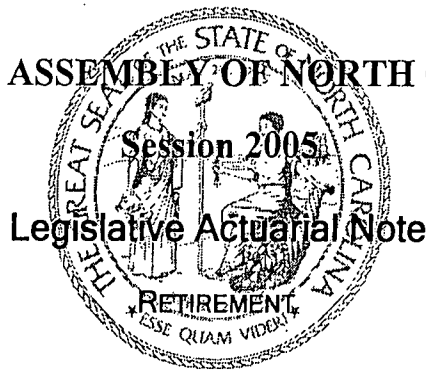
In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A copy of an original actuarial note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

cc: Representative Larry Bell
Representative Gene Wilson
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates

GENERAL ASSEMBLY OF NORTH CAROLINA



Legislative Actuarial Note

BILL NUMBER: House Bill 2223 (First Edition)

SHORT TITLE: Charlotte Firefighters Retirement Changes.

SPONSOR(S): Representative Alexander

FUNDS AFFECTED: City of Charlotte Funds

SYSTEM OR PROGRAM AFFECTED: Charlotte Firemen's Retirement System

BILL SUMMARY: The bill changes the definition of "Compensation" to include any funds deferred that is not included in the gross income of the member. The bill also requires that in the event of a mandatory distribution of funds greater than \$1,000 that is made without the members consent or is requested by the member before the member reaches the later of age 62 or normal retirement age, the administrator of the System is to pay the funds in a direct rollover to an IRA designated by the administrator, if the member has not designated an eligible retirement plan to receive the direct rollover.

EFFECTIVE DATE: July 1, 2006

ESTIMATED IMPACT ON CITY OF CHARLOTTE: Both the System's actuary, Cavanaugh Macdonald Consulting, and the General Assembly's actuary, Hartman & Associates, agree that the cost would have no material impact and would not require an increase in the employer contribution rate.

ASSUMPTIONS AND METHODOLOGY: The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the July 1, 2005 actuarial valuation of the system. The data included 935 active members with a payroll of \$47.2 million, 443 retired members in receipt of annual pensions totaling \$15.4 million and market value of assets of \$286 million. Significant actuarial assumptions used include (a) an investment return rate of 7.75%, (b) the UP 1984 Mortality Table for deaths after retirement, (c) salary increases ranging from 4.75% to 7.75% per year for active members and (d) rates of separation from active service based on experience. The actuarial cost method used was the entry age normal cost method. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary – Cavanaugh Macdonald Consulting, LLC
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION: 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: Lynn Muchmore, Director
Fiscal Research Division**

DATE: May 26, 2006



Signed Copy Located in the NCGA Principal Clerk's Offices



Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

Regular Mail and Fax

April 10, 2006

Ms. Barbara J. Avard
Administrator
Charlotte Firefighters' Retirement System
Charlotte National Building
428 East Fourth Street, Suite 205
Charlotte, NC 28202

Proposed Amendments to Retirement System Act

Dear Barbara:

We have reviewed the proposed amendments to the Charlotte Firefighters' Retirement System Act to be submitted to the North Carolina Legislature this year. All of the changes are necessary for the Retirement System to maintain its tax-qualification status or to comply with recent changes in the Internal Revenue Code. We have determined that the proposed amendments do not create any additional liability to the System and do not require an increase in the contribution rate of either the members or the City of Charlotte.

Sincerely,

Edward A. Macdonald, ASA, FCA, MAAA
President

EM:ct

S:\Charlotte Fire fighters Retirement System\2006 Correspondence\Proposed Amendments.doc

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

hartman@triad.rr.com

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 24, 2006

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

Re: Senate Bill 1786/House Bill 2223: An Act to Amend the Law
Establishing the Charlotte Firemen=s Retirement System

Dear Mr. Moore:

These bills amend Chapter 929 of the 1947 Session Laws, as amended, to make changes to the Charlotte Firemen's Retirement System. These changes include:

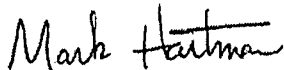
- Modify the definition of compensation to include certain elective deferrals not includible in the gross income of the member
- Provide for mandatory distributions greater than \$1,000 to be distributed as a direct rollover to an IRA unless otherwise elected by the member

This act is effective July 1, 2006.

These changes are intended to keep the System in compliance with the provisions of the Internal Revenue Code. These changes are not expected to have a material financial impact on the Plan.

If you have any questions, let me know.

Sincerely,



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

MVH/mt

AH 6

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

D

HOUSE BILL 2223*
PROPOSED COMMITTEE SUBSTITUTE H2223-CSRO-53 [v.2]

6/20/2006 5:11:09 PM

Short Title: Charlotte Firefighters Retirement Changes.

(Public)

Sponsors:

Referred to:

May 22, 2006

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

4 The General Assembly of North Carolina enacts:

5 SECTION 1. Subdivision (9) of Section 2 of Chapter 926 of the 1947
6 Session Laws, as rewritten by Section 1 of Chapter 830 of the 1991 Session Laws, as
7 amended by Chapter 171 of the 1995 Session Laws, Chapter 640 of the 1993 Session
8 Laws, S.L. 1999-100, S.L. 2001-22, and S.L. 2002-43, reads as rewritten:

9 "(9) 'Compensation' means the remuneration reportable on Form W-2
10 earned by a Member for services performed as an employee of the
11 Charlotte Fire Department prior to any reductions pursuant to sections
12 125, 401(k), 402(k), 402(e)(3), 414(h)(2), 403(b), 408(k)(6), and 457
13 of the Internal Revenue Code. Compensation shall include payments
14 for unused sick and vacation days, longevity payments, bonus
15 payments, and merit increases. For the purpose of calculating a
16 Member's Final Average Salary, (i) payments for unused sick and
17 vacation days shall be included as Compensation to the extent that the
18 vacation and sick days for which payments are made could have
19 accrued during two Plan Years of the Member's last five years of
20 Membership Service, and (ii) payments for longevity shall be included
21 as Compensation to the extent such payments were made during two
22 Plan Years of the Member's last five years of Membership Service.
23 Effective July 1, 2002, for purposes of applying the limitations
24 described in Section 51 of this Act, compensation paid or made
25 available during such limitation years shall also include elective
26 amounts that are not includible in the gross income of the Member by
27 reason of section 132(f)(4) of the Internal Revenue Code.

1 In addition to the other applicable limitations set forth in this Act,
2 and notwithstanding any other provision of this Act to the contrary, for
3 Plan Years beginning on or after January 1, 2002, the annual
4 Compensation of each Member taken into account under the Act shall
5 not exceed two hundred thousand dollars (\$200,000), the annual
6 compensation limit under section 401(a)(17) of the Internal Revenue
7 Code, as amended by section 611(c) of the Economic Growth and Tax
8 Relief Reconciliation Act of 2001. Annual compensation means
9 compensation during the Plan Year or such other 12-month period
10 over which Compensation is otherwise determined (the 'determination
11 period'). If a determination period consists of fewer than 12 months,
12 the annual compensation limit will be multiplied by a fraction, the
13 numerator of which is the number of months in the determination
14 period, and the denominator of which is 12. For purposes of
15 determining benefit accruals in a plan year, beginning after December
16 31, 2001, the compensation limit for any prior determination period
17 shall be two hundred thousand dollars (\$200,000). The two hundred
18 thousand dollars (\$200,000) limit on annual compensation shall be
19 adjusted for cost-of-living increases in accordance with section
20 401(a)(17)(B) of the Code."

21 **SECTION 2.** Section 13.1 of Chapter 926 of the 1947 Session Laws, as
22 rewritten by Section 1 of Chapter 830 of the 1991 Session Laws, Chapter 171 of the
23 1995 Session Laws, Chapter 640 of the 1993 Session Laws, S.L. 1999-100, S.L.
24 2001-22, and S.L. 2002-43, is amended by adding a new subsection to read:

25 "(c) In the event of a mandatory distribution greater than one thousand dollars that
26 is made without the Member's consent and is made to the Member before the Member
27 attains the later of age 62 or Normal Retirement Age, if the Member does not elect to
28 have such distribution paid directly to an eligible retirement plan specified by the
29 Member in a direct rollover or to receive the distribution from the Plan, the
30 Administrator shall pay the distribution in a direct rollover to an individual retirement
31 plan designated by the Administrator."

32 **SECTION 3.** None of the provisions of this act shall create an additional
33 liability for the Charlotte Firefighters' Retirement System unless sufficient assets are
34 available to pay for the liability.

35 **SECTION 4.** This act becomes effective July 1, 2006.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

D

HOUSE BILL 2223*

PROPOSED COMMITTEE SUBSTITUTE H2223-PCS30608-RO-53

Short Title: Charlotte Firefighters' Retirement Changes.

(Public)

Sponsors:

Referred to:

May 22, 2006

A BILL TO BE ENTITLED

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

The General Assembly of North Carolina enacts:

SECTION 1. Subdivision (9) of Section 2 of Chapter 926 of the 1947 Session Laws, as rewritten by Section 1 of Chapter 830 of the 1991 Session Laws, as amended by Chapter 171 of the 1995 Session Laws, Chapter 640 of the 1993 Session Laws, S.L. 1999-100, S.L. 2001-22, and S.L. 2002-43, reads as rewritten:

"(9) 'Compensation' means the remuneration reportable on Form W-2 earned by a Member for services performed as an employee of the Charlotte Fire Department prior to any reductions pursuant to sections 125, 401(k), 402(k), 402(e)(3), 414(h)(2), 403(b), 408(k)(6), and 457 of the Internal Revenue Code. Compensation shall include payments for unused sick and vacation days, longevity payments, bonus payments, and merit increases. For the purpose of calculating a Member's Final Average Salary, (i) payments for unused sick and vacation days shall be included as Compensation to the extent that the vacation and sick days for which payments are made could have accrued during two Plan Years of the Member's last five years of Membership Service, and (ii) payments for longevity shall be included as Compensation to the extent such payments were made during two Plan Years of the Member's last five years of Membership Service. Effective July 1, 2002, for purposes of applying the limitations described in Section 51 of this Act, compensation paid or made available during such limitation years shall also include elective amounts that are not includible in the gross income of the Member by reason of section 132(f)(4) of the Internal Revenue Code.

1 In addition to the other applicable limitations set forth in this Act,
2 and notwithstanding any other provision of this Act to the contrary, for
3 Plan Years beginning on or after January 1, 2002, the annual
4 Compensation of each Member taken into account under the Act shall
5 not exceed two hundred thousand dollars (\$200,000), the annual
6 compensation limit under section 401(a)(17) of the Internal Revenue
7 Code, as amended by section 611(c) of the Economic Growth and Tax
8 Relief Reconciliation Act of 2001. Annual compensation means
9 compensation during the Plan Year or such other 12-month period
10 over which Compensation is otherwise determined (the 'determination
11 period'). If a determination period consists of fewer than 12 months,
12 the annual compensation limit will be multiplied by a fraction, the
13 numerator of which is the number of months in the determination
14 period, and the denominator of which is 12. For purposes of
15 determining benefit accruals in a plan year, beginning after December
16 31, 2001, the compensation limit for any prior determination period
17 shall be two hundred thousand dollars (\$200,000). The two hundred
18 thousand dollars (\$200,000) limit on annual compensation shall be
19 adjusted for cost-of-living increases in accordance with section
20 401(a)(17)(B) of the Code."

21 **SECTION 2.** Section 13.1 of Chapter 926 of the 1947 Session Laws, as
22 rewritten by Section 1 of Chapter 830 of the 1991 Session Laws, Chapter 171 of the
23 1995 Session Laws, Chapter 640 of the 1993 Session Laws, S.L. 1999-100, S.L.
24 2001-22, and S.L. 2002-43, is amended by adding a new subsection to read:

25 "(c) In the event of a mandatory distribution greater than one thousand dollars
26 (\$1,000) that is made without the Member's consent and is made to the Member before
27 the Member attains the later of age 62 or Normal Retirement Age, if the Member does
28 not elect to have such distribution paid directly to an eligible retirement plan specified
29 by the Member in a direct rollover or to receive the distribution from the Plan, the
30 Administrator shall pay the distribution in a direct rollover to an individual retirement
31 plan designated by the Administrator."

32 **SECTION 3.** None of the provisions of this act shall create an additional
33 liability for the Charlotte Firefighters' Retirement System unless sufficient assets are
34 available to pay for the liability.

35 **SECTION 4.** This act becomes effective July 1, 2006.

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

HB 2223 A BILL TO BE ENTITLED AN ACT TO AMEND THE LAW
ESTABLISHING THE CHARLOTTE FIREMENS' RETIREMENT SYSTEM.

☒ With a favorable report as to the committee substitute bill, which changes the title, unfavorable as to the original bill.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. _____) is placed on the Calendar of _____. (The original bill resolution No. _____) is placed on the Unfavorable Calendar.

_____ The (House) committee substitute bill/(joint) resolution (No. _____) is re-referred to the Committee on _____. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. _____) is placed on the Unfavorable Calendar.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

3

HOUSE BILL 1237

Committee Substitute Favorable 5/4/05

Senate Pensions & Retirement and Aging Committee Substitute Adopted 6/7/06

Short Title: Change Local Governmental Retirement Board.

(Public)

Sponsors:

Referred to:

April 18, 2005

A BILL TO BE ENTITLED

AN ACT TO REVISE THE MEMBERSHIP OF THE BOARD OF TRUSTEES OF
THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1.1. G.S. 128-28(c) reads as rewritten:

"(c) Members of Board. – The Board shall consist of (i) seven members of the Board of Trustees of the Teachers' and State Employees' Retirement System, System appointed under G.S. 135-6(b): the State Treasurer; the Superintendent of Public Instruction; the two members appointed by the General Assembly; and the three members appointed by the Governor who are not members of the teaching profession or State employees; and three local governmental officials (ii) seven members designated by the Governor. Governor:

(1) One local governmental official member shall be a mayor, mayor or a member of the governing body, or a full-time officer body of a city or town participating in the Retirement System, and one local governmental official System;

(2) One member shall be a county commissioner or a full-time officer of a county participating in the Retirement System, and one local governmental official System;

(3) One member shall be a law-enforcement officer employed by an employer participating in the Retirement System. System;

(4) One member shall be a county manager of a county participating in the Retirement System;

(5) One member shall be a city or town manager of a city or town participating in the Retirement System;

(6) One member shall be an active, Fair Labor Standards Act nonexempt, local governmental employee of an employer; and

1 (7) One member shall be a retired, Fair Labor Standards Act nonexempt,
2 local governmental employee of an employer.

3 The Governor shall designate ~~these three local governmental officials~~ seven
4 members on April 1 of years in which an election is held for the office of Governor, or
5 as soon thereafter as possible, and the ~~three local governmental officials~~ seven members
6 designated by the Governor shall serve on the Board in addition to the regular duties of
7 their city, town, or county office: Provided, that if for any reason any ~~local~~
8 ~~governmental official so designated~~ member appointed pursuant to subdivisions (1)
9 through (6) of this subsection vacates the city, town, or county office or employment
10 which he the member held at the time of this designation, the Governor shall designate
11 some other local governmental official another member to serve until the next regular
12 date for the designation of ~~local governmental officials~~ members to serve on the Board."

13 **SECTION 1.2.** G.S. 128-28(f) reads as rewritten:

14 "(f) Voting Rights. – Each trustee shall be entitled to one vote in the Board. ~~Five~~
15 A majority of affirmative votes in attendance shall be necessary for a decision by the
16 trustees at any meeting of said Board."

17 **SECTION 2.** This act is effective when it becomes law, and the additional
18 members shall be designated by the Governor to serve until April 1, 2008, when their
19 successors shall be designated.

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☒ Senate Committee Substitute for

HB 1237

A BILL TO BE ENTITLED AN ACT TO REVISE THE MEMBERSHIP OF THE BOARD OF TRUSTEES OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

☒ With recommendation that the House concur.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of _____.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

1

HOUSE BILL 2651

Short Title: Roth 401k Accounts/Law Enforcement Officers.

(Public)

Sponsors: Representatives Bell, Wilson (Primary Sponsors); Faison and Pate.

Referred to: Pensions and Retirement.

May 25, 2006

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE FOR ROTH 401K CONTRIBUTIONS FOR LAW
3 ENFORCEMENT OFFICERS.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. G.S. 143-166.30(h) reads as rewritten:

6 "(h) Notwithstanding any other provisions of law, any pending or inchoate rights
7 of a member of the Law-Enforcement Officers' Retirement System as of their transfer to
8 the State Retirement System on January 1, 1985, including the rights to a vested
9 deferred retirement allowance and to commence retirement at certain ages with required
10 years of service as a law-enforcement officer, shall in no way be diminished; provided,
11 however, in no event may a member commence retirement and continue membership
12 service with the same Retirement System.

13 No eligible officer shall be precluded from exercising that officer's pending or
14 inchoate rights under this section, should the officer elect to make Roth after-tax
15 contributions to the Supplemental Retirement Income Plan, except that these Roth
16 after-tax contributions and the earnings thereon shall not be subsequently transferred to
17 the Teachers' and State Employees' Retirement System."

18 SECTION 2. G.S. 143-166.50(c) reads as rewritten:

19 "(c) Rights. - Notwithstanding any other provisions of law, any accrued or
20 inchoate rights of a member of the Law-Enforcement Officers' Retirement System as of
21 his transfer to the Local Governmental Employees' Retirement System on January 1,
22 1986, including the rights to a vested deferred retirement allowance and to commence
23 retirement at certain ages with required years of service as a law-enforcement officer,
24 may in no way be diminished; provided, however, in no event may a member
25 commence retirement and continue membership service with the same Retirement
26 System after January 1, 1986.

27 No eligible officer shall be precluded from exercising that officer's pending or
28 inchoate rights under this section, should the officer elect to make Roth after-tax
29 contributions to the Supplemental Retirement Income Plan, except that these Roth

1 after-tax contributions and the earnings thereon shall not be subsequently transferred to
2 the Local Governmental Employees' Retirement System."

3 **SECTION 3.** This act becomes effective July 1, 2006.



NORTH CAROLINA GENERAL ASSEMBLY

Legislative Services Office

George R. Hall, Legislative Services Officer

Fiscal Research Division

300 N. Salisbury Street, Suite 619
Raleigh, NC 27603-5925
Tel. 919-733-4910 Fax 919-715-3589

Lynn Muchmore
Director

June 8, 2006

MEMORANDUM

TO: Representative Larry Bell
Representative Gene Wilson

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 2651

Re: Roth 401(k) Accounts

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

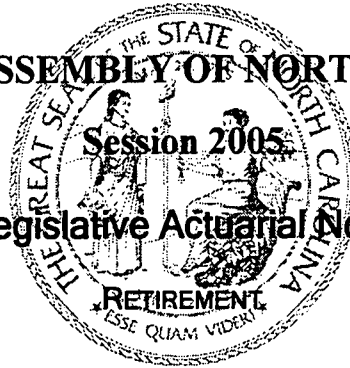
cc: House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005 Legislative Actuarial Note



BILL NUMBER: House Bill 2651 (First Edition)

SHORT TITLE: Roth 401k Accounts/Law Enforcement Officers.

SPONSOR(S): Representatives Wilson and Bell

FUNDS AFFECTED: Law enforcement officers' contributions made from payroll deductions.

SYSTEM OR PROGRAM AFFECTED: Supplemental Retirement Income Plan [401(k)}

EFFECTIVE DATE: July 1, 2006

BILL SUMMARY: Amends GS 143-166.30(h) and 143-166.50(c) to provide that no eligible officer is precluded from exercising the officer's pending or inchoate rights under those sections if the officer elects to make Roth after-tax contributions to the Supplemental Retirement Income Plan, except that Roth contributions and earnings may not subsequently be transferred to the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System.

ESTIMATED IMPACT ON STATE: Both the retirement system's actuary, Buck Consultants, and the General Assembly's actuary, Hartman & Associates, agree there will be no cost to either the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement 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, 2004 actuarial valuation of the fund. The data included 311,612 active members with an annual payroll of \$10.4 billion and 128,577 retired members in receipt of annual pensions totaling \$2.3 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) annual salary increase rates from 5.45% to 12.08% which includes an inflation rate of 3.75% (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, 2004 actuarial valuation of the fund. The data included 121,262 active members with an annual payroll of \$4.1 billion and 36,728 retired members in receipt of annual pensions totaling \$525.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: Buck Consultants
Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: None

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: Lynn Muchmore, Director
Fiscal Research Division



DATE: June 8, 2006

Signed Copy Located in the NCGA Principal Clerk's Offices



June 6, 2006

Mr. J. Brett Joyal
Policy Director
State of North Carolina
Department of State Treasurer
Retirement Systems Division
325 North Salisbury Street
Raleigh, NC 27603-1385

Re: House Bill 2651

Dear Mr. Joyal:

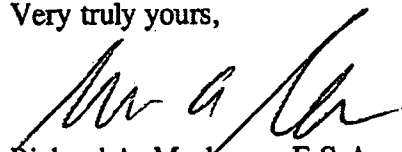
We have received Mr. Garry Austin's letter of May 31 regarding House Bill 2651 which affects the retirement benefits of State and Local Law Enforcement Officers in G.S. 143-166.30 and G.S. 143-166.50.

This legislation appears to allow law enforcement officers the ability to elect to make Roth contributions to the Supplemental Retirement Income Plan. This proposed legislation further states that the Roth contributions shall not be transferred to the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System and that the law enforcement officers election to make Roth contributions will not diminish the law enforcement officers rights under G.S. 143-166.30 or G.S. 143-166.50.

There are no costs to the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System for this legislation.

If you have any questions or need additional assistance, please let us know.

Very truly yours,


Richard A. Mackesey, F.S.A.
Principal, Consulting Actuary

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\\NC\COR\60606RM1.DOC

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

hartman@triad.rr.com

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 30, 2006

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

Re: House Bill 2651: An Act to Provide for Roth 401k Contributions
for Law Enforcement Officers

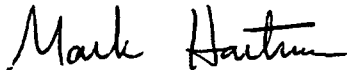
Dear Mr. Moore:

This bill amends G.S. 143-166.30(h) and G.S. 143-166.50(c) to provide that former members of the Law Enforcement Officers' Retirement System, who were transferred to either the Teachers' and State Employees' Retirement System (TSERS) or the Local Governmental Employees' Retirement System (LGERS), are not precluded from making Roth after-tax contributions to the Supplemental Retirement Income Plan. However, such contributions may not be subsequently transferred to the TSERS or LGERS. This act is effective July 1, 2006.

This act is not expected to produce a cost to either the TSERS or LGERS.

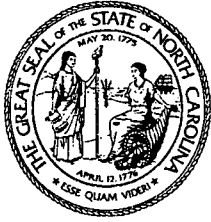
If you have any questions, let me know.

Sincerely,



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

MVH/mt



HOUSE BILL 2651: Roth 401k Accounts/Law Enforcement Officers

BILL ANALYSIS

Committee:	House Pensions and Retirement	Date:	June 20, 2006
Introduced by:	Reps. Bell, Wilson	Summary by:	Karen Cochrane-Brown
Version:	First Edition		Committee Counsel

SUMMARY: *House Bill 2651 provides for Roth 401K contributions for law enforcement officers.*

BILL ANALYSIS:

House Bill 2651 adds a provision to the laws governing certain retirement benefits for law enforcement officers who are members of the State Retirement System and those who are members of the Local Retirement System.

The bill provides that officers shall not be precluded from exercising their rights under the Supplemental Retirement Income Plan for Law Enforcement Officers if the officer elects to make Roth after-tax contributions to the Plan, except that the contributions and earnings shall not subsequently be transferred to the State or Local Retirement System.

EFFECTIVE DATE:

This act becomes effective July 1, 2006.

H2651el-SMRO

2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND
RETIREMENT.

☐ Committee Substitute for

HB 2651 A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR ROTH 401K
CONTRIBUTIONS FOR LAW ENFORCEMENT OFFICERS.

☒ With a favorable report.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of _____.

44.12

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

1

HOUSE BILL 853*

Short Title: Reciprocity/Optional Retirement System. (Public)

Sponsors: Representatives Insko; Coleman, Pierce, and Wainwright.

Referred to: Pensions and Retirement.

March 22, 2005

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE FOR RECIPROCITY BETWEEN THE OPTIONAL
3 RETIREMENT PROGRAM FOR STATE INSTITUTIONS OF HIGHER
4 EDUCATION AND THE TEACHERS' AND STATE EMPLOYEES'
5 RETIREMENT SYSTEM.

6 The General Assembly of North Carolina enacts:

7 SECTION 1. G.S. 135-4A reads as rewritten:

8 "§ 135-4A. Reciprocity of creditable service with other State-administered
9 retirement systems. systems and the Optional Retirement Program for
10 State institutions of higher education.

11 (a) Only for the purpose of determining eligibility for benefits accruing under
12 this Article, creditable service standing to the credit of a member of the Legislative
13 Retirement System, the Consolidated Judicial Retirement System, or the Local
14 Governmental Employees' Retirement System System, or the Optional Retirement
15 Program for State institutions of higher education under G.S. 135-5.1 shall be added to
16 the creditable service standing to the credit of a member of this System; provided, that
17 in the event a person is a retired member of any of the foregoing retirement systems,
18 such creditable service standing to the credit of the retired member prior to retirement
19 shall be likewise counted. In no instance shall service credits maintained in the
20 aforementioned retirement systems be added to the creditable service in this System for
21 application of this System's benefit accrual rate in computing a service retirement
22 benefit unless specifically authorized by this Article.

23 (b) A person who was a former member of this System and who has forfeited his
24 creditable service in this System by receiving a return of contributions and who has
25 creditable service in the Legislative Retirement System, the Consolidated Judicial
26 Retirement System, or the Local Governmental Employees' Retirement System System,
27 or the Optional Retirement Program for State institutions of higher education under
28 G.S. 135-5.1 may count such creditable service for the purpose of restoring the

1 creditable service forfeited in this System under the terms and conditions as set forth in
2 this Article and reestablish membership in this System.

3 (c) Creditable service under this section shall not be counted twice for the same
4 period of time whether earned as a member, purchased, or granted as prior service
5 credits."

6 **SECTION 2.** This act becomes effective July 1, 2005.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

D

HOUSE BILL 853*

PROPOSED COMMITTEE SUBSTITUTE H853-PCS50736-LL-28

Short Title: Reciprocity/Optional Retirement System.

(Public)

Sponsors:

Referred to:

March 22, 2005

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR THE PURCHASE OF CREDITABLE SERVICE FOR PERIODS OF SERVICE UNDER THE OPTIONAL RETIREMENT PROGRAM FOR STATE INSTITUTIONS OF HIGHER EDUCATION.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-5 is amended by adding a new subsection to read:

"(ooo) Credit at Full Cost for Service With The University of North Carolina During Which a Member Participated in the Optional Retirement Program. – Notwithstanding any other provisions of this Chapter, a member, upon the completion of five years of membership service, may purchase creditable service for periods of employment with The University of North Carolina during which the member participated in the Optional Retirement Program as provided for in G.S. 135-5.1, provided that the member is not receiving, and is not entitled to receive, any retirement benefits resulting from this employment. The member shall purchase this service by making a lump-sum amount payable to the Annuity Savings Fund equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the system's liabilities, and shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the 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 subsection that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual postretirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance."

SECTION 2. This act becomes effective July 1, 2006.

GENERAL ASSEMBLY OF NORTH CAROLINA



FISCAL ANALYSIS MEMORANDUM

[This confidential fiscal memorandum is a fiscal analysis of a draft bill, amendment, committee substitute, or conference committee report that has not been formally introduced or adopted on the chamber floor or in committee. This is not an official actuarial note. If upon introduction of the committee substitute, a formal actuarial note will be provided under the rules of the House and the Senate.]

DATE: June 13, 2006

TO: Representative Verla Insko

FROM: Stanley Moore *SM*
Fiscal Research Division

RE: Proposed Committee Substitute for House Bill 858
Reciprocity/Optional Retirement System

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

EFFECTIVE DATE: July 1, 2006

BILL SUMMARY: This bill will allow any member of the Teachers' & State Employees' Retirement System to purchase service for periods of employment while they were participating in the Optional Retirement Plan. In order to qualify, a member must have five years of creditable service in the Teachers' & State Employees' Retirement System and must not be eligible to receive any retirement benefits from the Optional Retirement Plan. The member will pay the "full actuarial cost" of the additional service credits, which is the full liability that the service will put upon the System.

ESTIMATED IMPACT ON STATE: The Retirement System's Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, agree that there would be not cost to the Teachers' and State Employees' Retirement System as a result of this bill.

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, 2004 actuarial valuation of the fund. The data included 311,612 active members with an annual payroll of \$10.4 billion and 128,577 retired members in receipt of annual pensions totaling \$2.3 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) annual salary increase rates from 5.45% to 12.08% which includes an inflation rate of 3.75% (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: Buck Consultants
Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: None

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.



June 12, 2006

Mr. J. Brett Joyal
Policy Director
State of North Carolina
Department of State Treasurer
Retirement Systems Division
325 North Salisbury Street
Raleigh, NC 27603-1385

Re: Revised House Bill 853 – Proposed Committee Substitute

Dear Mr. Joyal:

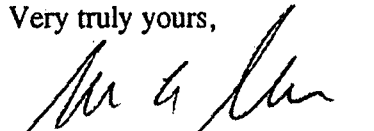
We understand that House Bill 853 which affects the Teachers' and State Employees' Retirement System (TSERS) and the Optional Retirement Program (ORP) for State institutions of higher education will be revised to allow members, upon completion of five years of membership service, to purchase creditable service for periods of employment with the University of North Carolina during which the member participated in the ORP. The member must also not be receiving, and not entitled to receive, any retirement benefits resulting from this employment.

We understand that in order for a member to receive creditable service for periods of employment with the University of North Carolina during which the member participated in the ORP, this proposed legislation will require that the member will pay the full cost of the additional creditable service. It is our understanding that the proposed legislation will state that this calculation is based on actuarial valuation assumptions, accounting for commencement at the earliest retirement age at which the member could retire and including assumed annual post-retirement allowance increases, as determined by the Board of Trustees, and administrative fees.

Since the member must pay a lump sum equal to the "full cost" of the additional service purchased, this legislation will not generate any cost for TSERS.

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, F.S.A.
Principal, Consulting Actuary

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14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

June 12, 2006

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

Re: House Bill 853 Proposed Committee Substitute: An Act to Provide
for Purchase of Service for Employment under the ORP

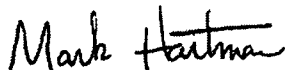
Dear Mr. Moore:

This proposed committee substitute amends G.S. 135-5 by adding a new section to provide for the purchase of creditable service for periods of service under the Optional Retirement Plan (ORP). This provision would apply to members of the Teachers' and State Employees' Retirement System (TSERS) with five or more years of service in the TSERS. The member would purchase the service by making a lump sum payment equal to the full liability of the service credits purchased. This act is effective July 1, 2006.

The full liability would be calculated on the additional service credits commencing at the earliest retirement age at which the member could retire with an unreduced retirement allowance and would include assumed post-retirement allowance increases. Based on this methodology, this provision is not expected to produce a cost to the TSERS.

If you have any questions, let me know.

Sincerely,



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

MVH/mt

GENERAL ASSEMBLY OF NORTH CAROLINA



BILL NUMBER: House Bill 853 (Second Edition)

SHORT TITLE: Reciprocity/Optional Retirement System.

SPONSOR(S): Representative Insko

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Fund

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

EFFECTIVE DATE: July 1, 2006

BILL SUMMARY: This bill will allow any member of the Teachers' & State Employees' Retirement System to purchase service for periods of employment while they were participating in the Optional Retirement Plan. In order to qualify, a member must have five years of creditable service in the Teachers' & State Employees' Retirement System and must not be eligible to receive any retirement benefits from the Optional Retirement Plan. The member will pay the "full actuarial cost" of the additional service credits, which is the full liability that the service will put upon the System.

ESTIMATED IMPACT ON STATE: The Retirement System's Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, agree that there would be not cost to the Teachers' and State Employees' Retirement System as a result of this bill.

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, 2004 actuarial valuation of the fund. The data included 311,612 active members with an annual payroll of \$10.4 billion and 128,577 retired members in receipt of annual pensions totaling \$2.3 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) annual salary increase rates from 5.45% to 12.08% which includes an inflation rate of 3.75% (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: Buck Consultants
Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: None

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: Lynn Muchmore, Director
Fiscal Research Division



DATE: June 21, 2006

Signed Copy Located in the NCGA Principal Clerk's Offices



June 12, 2006

Mr. J. Brett Joyal
Policy Director
State of North Carolina
Department of State Treasurer
Retirement Systems Division
325 North Salisbury Street
Raleigh, NC 27603-1385

Re: Revised House Bill 853 – Proposed Committee Substitute

Dear Mr. Joyal:

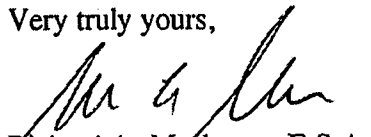
We understand that House Bill 853 which affects the Teachers' and State Employees' Retirement System (TSERS) and the Optional Retirement Program (ORP) for State institutions of higher education will be revised to allow members, upon completion of five years of membership service, to purchase creditable service for periods of employment with the University of North Carolina during which the member participated in the ORP. The member must also not be receiving, and not entitled to receive, any retirement benefits resulting from this employment.

We understand that in order for a member to receive creditable service for periods of employment with the University of North Carolina during which the member participated in the ORP, this proposed legislation will require that the member will pay the full cost of the additional creditable service. It is our understanding that the proposed legislation will state that this calculation is based on actuarial valuation assumptions, accounting for commencement at the earliest retirement age at which the member could retire and including assumed annual post-retirement allowance increases, as determined by the Board of Trustees, and administrative fees.

Since the member must pay a lump sum equal to the "full cost" of the additional service purchased, this legislation will not generate any cost for TSERS.

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, F.S.A.
Principal, Consulting Actuary

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14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

HARTMAN & ASSOCIATES, LLC

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

June 12, 2006

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

Re: House Bill 853 Proposed Committee Substitute: An Act to Provide
for Purchase of Service for Employment under the ORP

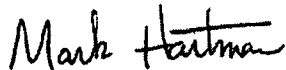
Dear Mr. Moore:

This proposed committee substitute amends G.S. 135-5 by adding a new section to provide for the purchase of creditable service for periods of service under the Optional Retirement Plan (ORP). This provision would apply to members of the Teachers' and State Employees' Retirement System (TSERS) with five or more years of service in the TSERS. The member would purchase the service by making a lump sum payment equal to the full liability of the service credits purchased. This act is effective July 1, 2006.

The full liability would be calculated on the additional service credits commencing at the earliest retirement age at which the member could retire with an unreduced retirement allowance and would include assumed post-retirement allowance increases. Based on this methodology, this provision is not expected to produce a cost to the TSERS.

If you have any questions, let me know.

Sincerely,



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

MVH/mt

A#14

2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

HB 853 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 as to the committee substitute bill, which changes the title, unfavorable as to the original bill.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. _____) is placed on the Calendar of _____. (The original bill resolution No. _____) is placed on the Unfavorable Calendar.

_____ The (House) committee substitute bill/(joint) resolution (No. _____) is re-referred to the Committee on _____. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. _____) is placed on the Unfavorable Calendar.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

1

HOUSE BILL 2061

Short Title: Legislative Retiree Repayment and Transfer. (Public)

Sponsors: Representatives B. Allen, Jeffus, Womble (Primary Sponsors); Adams, Carney, Coleman, Cunningham, Jones, Luebke, McLawhorn, Ross, Wainwright, and Wright.

Referred to: Pensions and Retirement.

May 18, 2006

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW FOR CERTAIN TRANSFERS OF SERVICE FROM THE
3 LEGISLATIVE RETIREMENT SYSTEM.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. G.S. 120-4.13 is amended by adding a new subsection to read:
6 "(d) Any member who retired from this Retirement System on or before January
7 1, 2004, and who is also a member of the Teachers' and State Employees' Retirement
8 System or the Consolidated Judicial Retirement System, may elect to rescind the
9 member's retirement by repaying all retirement allowances received as a retiree of this
10 Retirement System and thereby qualify for the transfers of service authorized by
11 subsections (b) and (c) of this section."

12 SECTION 2. G.S. 135-18.9 reads as rewritten:
13 "§ 135-18.9. **Transfer of members from the Legislative Retirement System or the**
14 **Consolidated Judicial Retirement System.**

15 (a) The accumulated contributions, creditable service, and reserves, if any, of a
16 member of the Legislative Retirement System, as provided for in Article 1A of
17 G.S. 120, or the Consolidated Judicial Retirement System, as provided for in Article 4
18 of G.S. 135, who later becomes a member of the Teachers' and State Employees'
19 Retirement System for a period of five or more years may, upon application of the
20 member, be transferred from the Legislative Retirement System or the Consolidated
21 Judicial Retirement System. The accumulated contributions, creditable service, and
22 reserves of any member whose service as a member of the Legislative Retirement
23 System or the Consolidated Judicial Retirement System is terminated other than by
24 retirement or death and who later becomes a member of the Teachers' and State
25 Employees' Retirement System may, upon application of the member, be transferred
26 from the Legislative Retirement System or the Consolidated Judicial Retirement System
27 to the Teachers' and State Employees' Retirement System. In order to effect the transfer

1 of a member's creditable service from the Legislative Retirement System or the
2 Consolidated Judicial Retirement System to the Teachers' and State Employees'
3 Retirement System, the accumulated contributions of each member credited in the
4 annuity savings fund in the Legislative Retirement System or the Consolidated Judicial
5 Retirement System shall be transferred and credited to the annuity savings fund in the
6 Teachers' and State Employees' Retirement System.

7 (a1) In the event that a retired member of the Legislative Retirement System elects
8 to transfer accumulated contributions, creditable service, and reserves, if any, to this
9 Retirement System, as authorized by G.S. 120-4.13(d):

10 (1) If the member is also a retired member of this Retirement System, the
11 member's retirement allowance shall be increased the month the
12 member rescinds the member's retirement in the Legislative
13 Retirement System. The increase in the retirement allowance shall be
14 the difference between the initial retirement allowance, under any
15 optional allowance elected at the time of retirement, and the amount of
16 the retirement allowance, under any optional allowance elected at the
17 time of retirement, to which the retired member would have been
18 entitled had the service been transferred prior to retirement, adjusted
19 by any increases in the retirement accrual rate occurring between the
20 member's date of retirement and the date the member rescinds the
21 member's retirement in the Legislative Retirement System. The
22 increase in the retirement allowance shall not include any adjustment
23 for cost-of-living increases granted since the date of retirement.

24 Upon the death of a retired member who has transferred service
25 from the Legislative Retirement System as authorized by
26 G.S. 120-4.13(d), the person or persons the retiree has nominated by
27 written designation duly acknowledged and filed with the Board of
28 Trustees for the death benefit provided by G.S. 135-5(g1), if the
29 person or persons are living at the time of the retiree's death, or
30 otherwise to the retiree's legal representatives, shall be paid an
31 additional death benefit equal to the excess, if any, of the accumulated
32 contributions transferred from the Legislative Retirement System over
33 the total of the increases in the retirement allowance attributable to
34 creditable service transferred from the Legislative Retirement System,
35 paid from the month in which the member rescinded the member's
36 retirement in the Legislative Retirement System until the death of the
37 retiree.

38 (2) If the member has not yet retired from this Retirement System, then
39 upon retirement the member shall receive an allowance calculated in
40 accordance with G.S. 135-5.

41 (b) The Board of Trustees shall effect such rules as it may deem necessary to
42 administer ~~subsection (a)~~ subsections (a) and (a1) of this section and to prevent any
43 duplication of service credits or benefits that might otherwise occur."

44 **SECTION 3.** G.S. 135-70.1 reads as rewritten:

1 "§ 135-70.1. Transfer of members from the Local Governmental Employees'
2 Retirement System, the Teachers' and State Employees' Retirement
3 System, or the Legislative Retirement System.

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

25 (a1) In the event that a retired member of the Legislative Retirement System elects
26 to transfer accumulated contributions, creditable service, and reserves, if any, to this
27 Retirement System, as authorized by G.S. 120-4.13(d):

28 (1) If the member is also a retired member of this Retirement System, the
29 member's retirement allowance shall be increased the month the
30 member rescinds the member's retirement in the Legislative
31 Retirement System. The increase in the retirement allowance shall be
32 the difference between the initial retirement allowance, under any
33 optional allowance elected at the time of retirement, and the amount of
34 the retirement allowance, under any optional allowance elected at the
35 time of retirement, to which the retired member would have been
36 entitled had the service been transferred prior to retirement, adjusted
37 by any increases in the retirement accrual rate occurring between the
38 member's date of retirement and the date the member rescinds the
39 member's retirement in the Legislative Retirement System. The
40 increase in the retirement allowance shall not include any adjustment
41 for cost-of-living increases granted since the date of retirement.

42 Upon the death of a retired member who has transferred service
43 from the Legislative Retirement System as authorized by
44 G.S. 120-4.13(d), the person or persons the retiree has nominated by

1 written designation duly acknowledged and filed with the Board of
2 Trustees for the death benefit provided by G.S. 135-64(c) or (d), if the
3 person or persons are living at the time of the retiree's death, or
4 otherwise to the retiree's legal representatives, shall be paid an
5 additional death benefit equal to the excess, if any, of the accumulated
6 contributions transferred from the Legislative Retirement System over
7 the total of the increases in the retirement allowance attributable to
8 creditable service transferred from the Legislative Retirement System,
9 paid from the month in which the member rescinded the member's
10 retirement in the Legislative Retirement System until the death of the
11 retiree.

12 (2) If the member has not yet retired from this Retirement System, then
13 upon retirement the member shall receive a allowance calculated in
14 accordance with G.S. 135-58 or G.S. 135-60.

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

18 **SECTION 4.** This act becomes effective January 1, 2007, and expires
19 December 31, 2007.



NORTH CAROLINA GENERAL ASSEMBLY
Legislative Services Office

George R. Hall, Legislative Services Officer

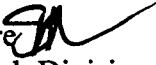
Fiscal Research Division
300 N. Salisbury Street, Suite 619
Raleigh, NC 27603-5925
Tel. 919-733-4910 Fax 919-715-3589

Lynn Muchmore
Director

June 1, 2006

MEMORANDUM

TO: Representative Bernard Allen
Representative Maggie Jeffus
Representative Larry Womble

FROM: Stanley Moore 
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 2061

Re: Legislative Retiree Repayment and Transfer

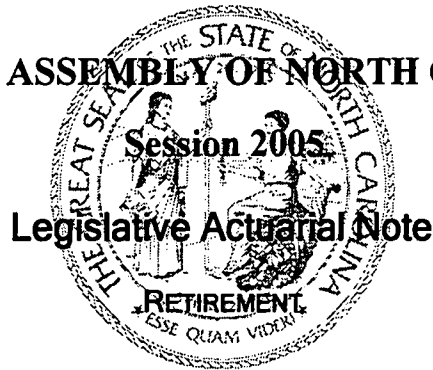
In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A copy of an original actuarial note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

cc: Representatives Bell & Wilson
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates

GENERAL ASSEMBLY OF NORTH CAROLINA



BILL NUMBER: House Bill 2061 (First Edition)

SHORT TITLE: Legislative Retiree Repayment and Transfer.

SPONSOR(S): Representatives Jeffus, Womble, and B. Allen

FUNDS AFFECTED: General Fund, Highway Fund, Receipt Funds

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

EFFECTIVE DATE: January 1, 2007

BILL SUMMARY: Allows a member who retired from the Legislative Retirement System on or before January 1, 2004, and who also is a member of the Teachers' and State Employees' Retirement System or the Consolidated Judicial Retirement System, to rescind the member's Legislative Retirement System retirement benefit by repaying all allowances received from that system in order to qualify for transfers of service. After rescinding the member's LRS retirement, the member could then transfer their service in the Legislative Retirement System to the Teachers' and State Employees' Retirement System or the Consolidated Judicial Retirement System, thereby increasing their retirement benefit for life.

ESTIMATED IMPACT ON STATE:

Teachers' and State Employees' Retirement System

Retirement System Actuary: Buck Consultants estimates the cost to be \$128,000 annually to the Teachers' and State Employees' Retirement System.

General Assembly Actuary: Hartman & Associates estimates the cost to be \$154,000 annually to the Teachers' and State Employees' Retirement System or \$1,025,000 one-time payment.

Consolidated Judicial Retirement System

Retirement System Actuary: Buck Consultants estimates the cost to be 0.13% of payroll.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2001-11</u>
General Fund	\$70,333	\$72,330	\$74,384	\$76,497	\$78,669

General Assembly Actuary: Hartman & Associates estimates the cost to be \$80,000 annually to the Consolidated Judicial Retirement System or \$620,000 one-time payment

There are available gains in the Consolidated Judicial Retirement System so no additional appropriation is needed.

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, 2004 actuarial valuation of the fund. The data included 311,612 active members with an annual payroll of \$10.4 billion and 128,577 retired members in receipt of annual pensions totaling \$2.3 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, 2004 actuarial valuation of the fund. The data included 490 active members with an annual payroll of \$49.4 million and 420 retired members in receipt of annual pensions totaling \$20.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality 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, 2004 actuarial valuation of the fund. The data included 169 active members with an annual payroll of \$3.7 million and 236 retired members in receipt of annual pensions totaling \$1.5 million. 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: Buck Consultants
Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: None

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: Lynn Muchmore, Director
Fiscal Research Division



DATE: May 30, 2006

Signed Copy Located in the NCGA Principal Clerk's Offices



May 25, 2006

Mr. J. Brett Joyal
Policy Director
State of North Carolina
Department of State Treasurer
Retirement Systems Division
325 North Salisbury Street
Raleigh, NC 27603-1385

Re: House Bill 2061

Dear Mr. Joyal:

We have received your request to determine the impact of House Bill 2061, which affects the Teachers' and State Employees' Retirement System (TSERS) and the Consolidated Judicial Retirement System (CJRS). This legislation also affects the Legislative Retirement System (LRS), which we will not address because we are not the consulting actuaries for this system.

This legislation allows the transfer of service for current retirees in LRS to TSERS or CJRS. Any retiree in LRS, who subsequently becomes an active member of TSERS or CJRS may, after five years of additional service, transfer their creditable service in LRS to the other applicable System. The member may choose to transfer the service even if they are already retired under the second system, and receive a prospective increase in the benefit from that system. Under this legislation, TSERS or CJRS will pay a benefit based on LRS service in addition to TSERS or CJRS service and LRS will transfer assets to TSERS or LGERS equal to the value (using TSERS or LGERS funding assumptions) of the prior LRS benefit.

We have estimated the impact of this legislation based on the data you sent to us by email on April 24, which included the proposed increase in TSERS benefits for 13 retired members of LRS and included the proposed increase in CJRS benefits for two retired members of LRS. Aside from this data, these estimates are also based on the same assumptions, methods and data used in the valuations as of December 31, 2004 for TSERS and CJRS with an update for the assumption changes adopted by the board on April 20, 2006 for the December 31, 2005 valuation.

The estimated annual cost increase under TSERS and CJRS, based on 9-year amortization of the additional unfunded accrued liability, is shown as follows.

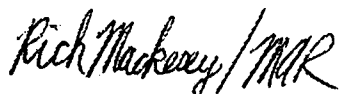
<u>System</u>	<u>% of Estimated 2006 - 2007 Payroll</u>	<u>Annual Cost</u>
Teachers & State Employees	*	\$ 128,000
Judicial	0.13%	\$ 71,000

- * The cost as a percentage of payroll is less than 0.01%, but funding must be provided to cover the additional annual cost shown, above and beyond the current employer contributions.

We should comment that North Carolina Retirement System laws have never allowed retired members to stop their monthly retirement benefits, immediately transfer their service and contributions to another Retirement System they administer, and then immediately begin receiving a monthly retirement benefit from that System. In addition, we are not aware of any other public retirement plan that allows existing retirees to transfer service to another plan. In addition, this proposal would set a precedent for other groups of employees that would desire similar treatment.

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

Very truly yours,



Richard A. Mackesey, F.S.A.
Principal, Consulting Actuary

RAM:km

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HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

hartman@triad.rr.com

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 22, 2006

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

Re: House Bill 2061: Allow Certain Transfers of Service from the LRS

Dear Mr. Moore:

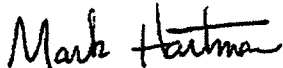
This bill would amend G.S. 120-4.13, G.S. 135-18.9 and G.S. 135-70.1 to allow members of the Legislative Retirement System (LRS) who retired on or before January 1, 2004 to rescind their retirement from the LRS and transfer their creditable service to the Teachers' and State Employees' Retirement System (TSERS) or the Consolidated Judicial Retirement System (CJRS). This transfer would be allowed for former members of the LRS with five or more years of service in the TSERS or CJRS. The member would be required to repay all benefits received from the LRS. The accumulated contributions credited to that member in the LRS plus the reserve held as a result of previous employer contributions on behalf of the transferring member would be transferred to the new system. This act is effective January 1, 2007 and expires December 31, 2007.

Based on the data you provided, this provision would affect 15 LRS retirees. The transfer of service would increase benefits for these employees since the transferred service would be based on a higher average salary in the TSERS or CJRS. This creates a liability in the TSERS and CJRS. The net increase in accrued liability in the TSERS is \$1,025,000, and liquidating this over 9 years produces an annual cost of \$154,000. The increase in accrued liability in the CJRS is \$620,000, and liquidating this over 9 years produces an annual cost of \$80,000.

These estimates are based on the most recent actuarial valuations prepared as of December 31, 2004, and information you provided for retired members of the LRS with service in the TSERS or CJRS. We assumed all eligible retirees would elect to transfer their LRS service.

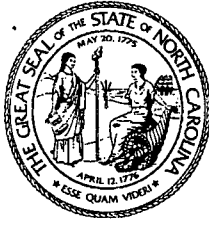
If you have any questions, let me know.

Sincerely,



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

MVH/mt



HOUSE BILL 2061: Legislative Retiree Repayment and Transfer

BILL ANALYSIS

Committee: House Pensions and Retirement
Introduced by: Reps. B. Allen, Jeffus, Womble
Version: First Edition

Date: June 12, 2006
Summary by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 2061 allows a member who retired from the Legislative Retirement System (LRS) on or before January 1, 2004, and who is also a member of the Teachers' and State Employees' Retirement System (TSERS), or the Consolidated Judicial Retirement System (CJRS), to rescind the LRS benefit by repaying all allowances received. Following the rescission of the LRS benefits, the member could transfer service in the LRS to the TSERS or the CJRS. This act would become effective January 1, 2007, and expire December 31, 2007.*

BILL ANALYSIS:

Section 1 of House Bill 2061 adds a new subsection (d) to G.S. 120-4.13 under the Legislative Retirement System statutes to allow any member who retired on or before January 1, 2004, and who is also a member of the Teachers' and State Employees' Retirement system or the Consolidated Judicial Retirement System to rescind their retirement by repaying all allowances received as a retiree. This would then allow the member to qualify for transfers of service authorized by G.S. 120-4.13 (b) and (c).

Section 2 amends G.S. 135-18.9 of the Teachers' and State Employees' Retirement System. G.S. 135-18.9 pertains to the transfer of members from the Legislative Retirement System (LRS) or the Consolidated Judicial Retirement System (CJRS) to the Teachers' and State Employees' Retirement System (TSERS). The new subsection added to G.S. 135-18.9 by this bill provides for transfer of accumulated contributions, creditable service, and reserves to the TSERS by a retired member of the Legislative Retirement System and authorizes the Board of Trustees to establish rules for the new provisions to prevent duplication of service credits or benefits.

- **If the retired member of the LRS is also a retired member of the TSERS**, the retirement allowance shall be increased the month the member rescinds their retirement in the LRS.
 - The increase in the retirement allowance will be the *difference* between the initial retirement allowance, under any optional allowance elected at the time of retirement, *and* the amount of the retirement allowance, under any optional allowance elected at the time of retirement, to which the member would have been entitled had the service been transferred prior to retirement, *adjusted* by any increase in the retirement accrual rate occurring between the member's date of retirement and the date the member rescinds the LRS retirement. The increase in the retirement allowance does not include any adjustment for cost-of-living increases granted since the date of retirement.
 - Upon the death of a retired member who transferred service from the LRS, the person or persons properly designated to receive the death benefit, or the retiree's legal representatives, shall be paid an additional death benefit equal to the excess, if any, of the accumulated contributions transferred from the LRS over the total of the increases in the retirement allowance attributable to creditable services transferred from the LRS, paid from the month in which the member rescinded their retirement in the LRS until the death of the retiree.
- **If the member has not yet retired from the TSERS**, then upon retirement, the member shall receive an allowance calculated in accordance with the normal benefit provisions contained in G.S. 135-5.

Section 3 amends G.S. 135-70.1 of the Consolidated Judicial Retirement System. G.S. 135-70.1 pertains to the transfer of members from the Local Governmental Employees' Retirement System (LGERS), the TSERS or the

House Bill 2061

Page 2

LRS. The new subsection added to G.S. 135-70.1 by this bill provides for transfer of accumulated contributions, creditable service, and reserves to the CJRS by a retired member of the Legislative Retirement System and authorizes the Board of Trustees to establish rules for the new provisions to prevent duplication of service credits or benefits. This language that is being added to G.S. 135-70.1 is the same as the language that is being added to the TSERS and explained in prior section of this summary.

Section 4 provides that this act is effective January 1, 2007, and expires December 31, 2007.

H2061el-SMSH

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

HB 2061 A BILL TO BE ENTITLED AN ACT TO ALLOW FOR CERTAIN TRANSFERS OF SERVICE FROM THE LEGISLATIVE RETIREMENT SYSTEM.

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

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ The bill/resolution is re-referred to the Committee on _____.

AH 17

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

1

HOUSE BILL 1910*

Short Title: Retirees Returning to Work.

(Public)

Sponsors: Representatives Glazier, Carney, Yongue, Lucas (Primary Sponsors); Adams, Alexander, B. Allen, Culp, England, Farmer-Butterfield, Fisher, Harrison, Insko, Luebke, McLawhorn, Parmon, Pate, Underhill, Wainwright, Warren, Weiss, and Womble.

Referred to: Pensions and Retirement.

May 15, 2006

- 1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE LAW AFFECTING RETIREES RETURNING TO
3 WORK.
4 The General Assembly of North Carolina enacts:
5 **SECTION 1.** G.S. 135-1 is amended by adding a new subdivision to read:
6 "(14a) "Normal retirement age" means the age of 60 or older with 25 or more
7 years of creditable service or the age of 65 or older with five or more
8 years of membership service."
9 **SECTION 2.** G.S. 135-1(20) reads as rewritten:
10 "(20) "Retirement" means the termination of employment and the complete
11 separation from active service with no intent or agreement, express or
12 implied, to return to service. A retirement allowance under the
13 provisions of this Chapter may only be granted upon retirement of a
14 member. In order for a member's retirement to become effective in any
15 month, the member must render no service, including part time,
16 temporary, substitute, or contractor service, at any time during the six
17 months immediately following the effective date of retirement. means:
18 a. In the case of a member who has reached normal retirement
19 age, the commencement of a retirement allowance under the
20 provisions of this Article.
21 b. In the case of a member who has not yet reached normal
22 retirement age, the commencement of a retirement allowance
23 under the provisions of this Article and a complete separation
24 from active service, with no intent or agreement, express or
25 implied, to return to service, and subject to the requirement that
26 the member shall not render any service, whether part-time,

1 temporary, substitute, or contractor service, at any time during
2 the total of 25 working days immediately following the
3 effective date of retirement plus the longer of the number of
4 weeks during each of the previous two years in which there
5 were no paid days of employment."

6 **SECTION 3.(a)** Subsection (d) of Section 28.24 of S.L. 1998-212, as
7 amended by Section 7A.1 of S.L. 2005-144, reads as rewritten:

8 "(d) This section becomes effective January 1, 1999, ~~and expires June 30, 2007.~~
9 1999."

10 **SECTION 3.(b)** The introductory language of Section 67 of S.L. 1998-217,
11 as amended by Section 7A.1 of S.L. 2005-144, reads as rewritten:

12 **"SECTION 67.** Effective January 1, 1999, ~~through June 30, 2007,~~ G.S. 135-3(8)c.,
13 as rewritten by Section 28.24(a) of S.L. 1998-212 reads as rewritten:"

14 **SECTION 3.(c)** Subsection (b) of Section 67.1 of S.L. 1998-217, as
15 amended by Section 7A.1 of S.L. 2005-144, reads as rewritten:

16 "(b) This section becomes effective January 1, 1999, ~~and expires June 30, 2007.~~
17 1999."

18 **SECTION 3.(d)** Subsection (c) of Section 32.25 of S.L. 2001-424, as
19 amended by Section 7A.1 of S.L. 2005-144, reads as rewritten:

20 **"SECTION 32.25.(c)** This section becomes effective July 1, 2001, ~~and expires June~~
21 ~~30, 2007.~~ 2001."

22 **SECTION 3.(e)** This section becomes effective June 30, 2006.

23 **SECTION 4.** G.S. 135-3(8)c. reads as rewritten:

24 "c. Should a beneficiary who retired on an early or service
25 retirement allowance under this Chapter be reemployed, or
26 otherwise engaged to perform services, by an employer
27 participating in the Retirement System on a part-time,
28 temporary, interim, or on a fee-for-service basis, whether
29 contractual or otherwise, and if such beneficiary earns an
30 amount during the 12-month period immediately following the
31 effective date of retirement or in any calendar year which
32 exceeds fifty percent (50%) of the reported compensation,
33 excluding terminal payments, during the 12 months of service
34 preceding the effective date of retirement, or twenty thousand
35 dollars (\$20,000), whichever is greater, as hereinafter indexed,
36 then the retirement allowance shall be suspended as of the first
37 day of the month following the month in which the
38 reemployment earnings exceed the amount above, for the
39 balance of the calendar year. The retirement allowance of such
40 a beneficiary shall also be suspended as provided in this
41 sub-subdivision if that beneficiary earns in any one month an
42 amount that exceeds sixty percent (60%) of the average
43 reported monthly compensation, excluding terminal payments,
44 earned during the 12 months of service immediately preceding

1 the effective date of retirement, unless the beneficiary's
2 employment resulting in that monthly amount is for a fixed
3 term of no more than six months and is preceded by at least a
4 six-month continuous separation from active service following
5 the beneficiary's retirement. The retirement allowance of the
6 beneficiary shall be reinstated as of January 1 of each year
7 following suspension. The amount that may be earned before
8 suspension shall be increased on January 1 of each year by the
9 ratio of the Consumer Price Index to the Index one year earlier,
10 calculated to the nearest tenth of a percent (1/10 of 1%).

11 The computation of postretirement earnings of a beneficiary
12 under this sub-subdivision, G.S. 135-3(8)c., who ~~has been~~
13 ~~retired at least six months~~ meets either definition of retirement
14 under G.S. 135-1(20) and who, before the effective date of
15 reemployment, has not been employed in any capacity with a
16 public school for at least six months immediately preceding the
17 effective date of reemployment, at any time during the total of
18 25 working days immediately following the effective date of
19 retirement plus the longer of the number of weeks during each
20 of the previous two years in which there were no paid days of
21 employment for that member, shall not include earnings while
22 the beneficiary is employed to teach in a permanent full-time or
23 part-time capacity that exceeds fifty percent (50%) of the
24 applicable workweek in a public school. The Department of
25 Public Instruction shall certify to the Retirement System that a
26 beneficiary is employed to teach by a local school
27 administrative unit under the provisions of this sub-subdivision
28 and as a retired teacher as the term is defined under the
29 provisions of G.S. 115C-325(a)(5a).

30 Beneficiaries employed under this sub-subdivision are not
31 entitled to any benefits otherwise provided under this Chapter
32 as a result of this period of employment."

33 **SECTION 5.** G.S. 115C-325(a)(5a) reads as rewritten:

34 "(5a) "Retired teacher" means a beneficiary of the Teachers' and State
35 Employees' Retirement System of North Carolina who ~~has been retired~~
36 ~~at least six months~~, meets either definition of retirement under
37 G.S. 135-1(20), who, before the effective date of reemployment, has
38 not been employed in any capacity for at least six months, immediately
39 preceding the effective date of reemployment, with a public school at
40 any time during the total of 25 working days immediately following
41 the effective date of retirement plus the longer of the number of weeks
42 during each of the previous two years in which there were no paid days
43 of employment for that member, who is determined by a local board of
44 education or a charter school to have had satisfactory performance

1 during the last year of employment by a local board of education or a
2 charter school, and who is employed to teach as provided in
3 G.S. 135-3(8)c. A retired teacher at a school other than a charter
4 school shall be treated the same as a probationary teacher except that
5 (i) a retired teacher is not eligible for career status and (ii) the
6 performance of a retired teacher who had attained career status prior to
7 retirement shall be evaluated in accordance with a local board of
8 education's policies and procedures applicable to career teachers."

9 **SECTION 6.** Section 29.28(f) of S.L. 2005-276 reads as rewritten:

10 "SECTION 29.28.(f) Subsections (a) and (b) of this section become effective
11 August 1, 2005. Subsection (e) of this section becomes effective November 1, 2005, but
12 does not apply to participants in The University of North Carolina Phased Retirement
13 ~~Program until June 30, 2007.~~ Program. The remainder of this section becomes effective
14 June 30, 2005."

15 **SECTION 7.** The University of North Carolina shall establish a normal
16 retirement age for the Optional Retirement Program of either 59½ or 60 years of age
17 and shall limit the University of North Carolina Phased Retirement Program to persons
18 who have reached that normal retirement age.

19 **SECTION 8.** The North Carolina Community College System may establish
20 a phased retirement program for its faculty that functions in a manner similar to The
21 University of North Carolina Phased Retirement Program.

22 **SECTION 9.** This act becomes effective July 1, 2006, but Sections 1
23 through 5 of this act do not apply to participants in The University of North Carolina
24 Phased Retirement Program or to members of the phased retirement program
25 established for the faculty of the North Carolina Community College System under
26 Section 8 of this act.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

D

HOUSE BILL 1910*
PROPOSED COMMITTEE SUBSTITUTE H1910-PCS70782-RO-58

Short Title: Retirees Returning to Work.

(Public)

Sponsors:

Referred to:

May 15, 2006

A BILL TO BE ENTITLED
AN ACT TO AMEND THE LAW AFFECTING RETIREES RETURNING TO
WORK.

The General Assembly of North Carolina enacts:

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

"(14a) "Normal retirement age" means the age of 60 or older with 25 or more years of creditable service or the age of 65 or older with five or more years of membership service."

SECTION 2. G.S. 135-1(20) reads as rewritten:

"(20) ~~"Retirement" means the termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service. A retirement allowance under the provisions of this Chapter may only be granted upon retirement of a member. In order for a member's retirement to become effective in any month, the member must render no service, including part-time, temporary, substitute, or contractor service, at any time during the six months immediately following the effective date of retirement.~~ means:

a. In the case of a member who has reached normal retirement age, the commencement of a retirement allowance under the provisions of this Article.

b. In the case of a member who has not yet reached normal retirement age, the commencement of a retirement allowance under the provisions of this Article and a complete separation from active service, with no intent or agreement, express or implied, to return to service, and subject to the requirement that the member shall not render any service, whether part-time, temporary, substitute, or contractor service, at any time during the total of 25 working days immediately following the

1 effective date of retirement plus the longer of the number of
2 weeks during each of the previous two years in which there
3 were no paid days of employment."

4 **SECTION 3.(a)** Subsection (d) of Section 28.24 of S.L. 1998-212, as
5 amended by Section 7A.1 of S.L. 2005-144, reads as rewritten:

6 "(d) This section becomes effective January 1, 1999, and ~~expires June 30, 2007.~~
7 1999."

8 **SECTION 3.(b)** The introductory language of Section 67 of S.L. 1998-217,
9 as amended by Section 7A.1 of S.L. 2005-144, reads as rewritten:

10 "**SECTION 67.** Effective January 1, 1999, ~~through June 30, 2007,~~ G.S. 135-3(8)c.,
11 as rewritten by Section 28.24(a) of S.L. 1998-212 reads as rewritten:"

12 **SECTION 3.(c)** Subsection (b) of Section 67.1 of S.L. 1998-217, as
13 amended by Section 7A.1 of S.L. 2005-144, reads as rewritten:

14 "(b) This section becomes effective January 1, 1999, and ~~expires June 30, 2007.~~
15 1999."

16 **SECTION 3.(d)** Subsection (c) of Section 32.25 of S.L. 2001-424, as
17 amended by Section 7A.1 of S.L. 2005-144, reads as rewritten:

18 "**SECTION 32.25.(c)** This section becomes effective July 1, 2001, and ~~expires June~~
19 30, 2007, 2001."

20 **SECTION 3.(e)** This section becomes effective June 30, 2006.

21 **SECTION 4.** G.S. 135-3(8)c. reads as rewritten:

22 "c. Should a beneficiary who retired on an early or service
23 retirement allowance under this Chapter be reemployed, or
24 otherwise engaged to perform services, by an employer
25 participating in the Retirement System on a part-time,
26 temporary, interim, or on a fee-for-service basis, whether
27 contractual or otherwise, and if such beneficiary earns an
28 amount during the 12-month period immediately following the
29 effective date of retirement or in any calendar year which
30 exceeds fifty percent (50%) of the reported compensation,
31 excluding terminal payments, during the 12 months of service
32 preceding the effective date of retirement, or twenty thousand
33 dollars (\$20,000), whichever is greater, as hereinafter indexed,
34 then the retirement allowance shall be suspended as of the first
35 day of the month following the month in which the
36 reemployment earnings exceed the amount above, for the
37 balance of the calendar year. The retirement allowance of such
38 a beneficiary shall also be suspended as provided in this
39 sub-subdivision if that beneficiary earns in any one month an
40 amount that exceeds sixty percent (60%) of the average
41 reported monthly compensation, excluding terminal payments,
42 earned during the 12 months of service immediately preceding
43 the effective date of retirement, unless the beneficiary's
44 employment resulting in that monthly amount is for a fixed

1 term of no more than six months and is preceded by at least a
2 six-month continuous separation from active service following
3 the beneficiary's retirement. The retirement allowance of the
4 beneficiary shall be reinstated as of January 1 of each year
5 following suspension. The amount that may be earned before
6 suspension shall be increased on January 1 of each year by the
7 ratio of the Consumer Price Index to the Index one year earlier,
8 calculated to the nearest tenth of a percent (1/10 of 1%).

9 The computation of postretirement earnings of a beneficiary
10 under this sub-subdivision, G.S. 135-3(8)c., who ~~has been~~
11 ~~retired at least six months~~ meets either definition of retirement
12 under G.S. 135-1(20) and who, before the effective date of
13 reemployment, has not been employed in any capacity with a
14 public school for at least six months immediately preceding the
15 effective date of reemployment, at any time during the total of
16 25 working days immediately following the effective date of
17 retirement plus the longer of the number of weeks during each
18 of the previous two years in which there were no paid days of
19 employment for that member, shall not include earnings while
20 the beneficiary is employed to teach in a permanent full-time or
21 part-time capacity that exceeds fifty percent (50%) of the,
22 applicable workweek in a public school. The Department of
23 Public Instruction shall certify to the Retirement System that a
24 beneficiary is employed to teach by a local school
25 administrative unit under the provisions of this sub-subdivision
26 and as a retired teacher as the term is defined under the
27 provisions of G.S. 115C-325(a)(5a).

28 Beneficiaries employed under this sub-subdivision are not
29 entitled to any benefits otherwise provided under this Chapter
30 as a result of this period of employment."

31 **SECTION 5.** G.S. 115C-325(a)(5a) reads as rewritten:

32 "(5a) "Retired teacher" means a beneficiary of the Teachers' and State
33 Employees' Retirement System of North Carolina who ~~has been retired~~
34 ~~at least six months,~~ meets either definition of retirement
35 G.S. 135-1(20), who, before the effective date of reemployment, has
36 not been employed in any capacity for at least six months, immediately
37 preceding the effective date of reemployment, with a public school at
38 any time during the total of 25 working days immediately following
39 the effective date of retirement plus the longer of the number of weeks
40 during each of the previous two years in which there were no paid days
41 of employment for that member, who is determined by a local board of
42 education or a charter school to have had satisfactory performance
43 during the last year of employment by a local board of education or a
44 charter school, and who is employed to teach as provided in

1 G.S. 135-3(8)c. A retired teacher at a school other than a charter
2 school shall be treated the same as a probationary teacher except that
3 (i) a retired teacher is not eligible for career status and (ii) the
4 performance of a retired teacher who had attained career status prior to
5 retirement shall be evaluated in accordance with a local board of
6 education's policies and procedures applicable to career teachers."

7 **SECTION 6.** Section 29.28(f) of S.L. 2005-276 reads as rewritten:

8 "SECTION 29.28.(f) Subsections (a) and (b) of this section become effective
9 August 1, 2005. Subsection (e) of this section becomes effective November 1, 2005, but
10 does not apply to participants in The University of North Carolina Phased Retirement
11 Program until June 30, 2007. Program. The remainder of this section becomes effective
12 June 30, 2005."

13 **SECTION 7.** The University of North Carolina shall establish a normal
14 retirement age for the Optional Retirement Program of either 59½ or 60 years of age
15 and shall limit The University of North Carolina Phased Retirement Program to persons
16 who have reached that normal retirement age.

17 **SECTION 8.** The North Carolina Community College System may establish
18 a phased retirement program for its faculty that functions in a manner similar to The
19 University of North Carolina Phased Retirement Program.

20 **SECTION 9.** Section 3 of this act becomes effective June 30, 2006. The
21 remainder of this act becomes effective July 1, 2006, but Sections 1 through 5 of this act
22 do not apply to participants in The University of North Carolina Phased Retirement
23 Program or to members of the phased retirement program established for the faculty of
24 the North Carolina Community College System under Section 8 of this act.

GENERAL ASSEMBLY OF NORTH CAROLINA



BILL NUMBER: House Bill 1910 (First Edition)

SHORT TITLE: Retirees Returning to Work.

SPONSOR(S): Representatives Yongue, Lucas, Glazier, and Carney

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

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

EFFECTIVE DATE: July 1, 2006

BILL SUMMARY: The 2005 Appropriations Act amended G.S. 135-1(20), the definition of retirement applicable to the Teachers' and State Employees' Retirement System (TSERS), to (1) preclude TSERS members from any type of state employment, whether on a part-time, temporary, substitute, or contractor basis, during the six months immediately following the member's effective date of retirement; and (2) provide that there may be no intent or agreement with the employer that the employee will return to service after the six-month period. The amendment was not to apply to participants in The University of North Carolina Phased Retirement Program until June 30, 2007. This act amends the 2005 changes to (1) delete the new restrictions for members who have reached normal retirement age (defined in GS 135-1 as 60 years or older with 25 or more years of service or 65 years or older with 5 or more years of service); and (2) modify the no-employment period for members who have not reached normal retirement age from six months to the sum of 25 days plus the longer of the number of weeks during each of the previous two years that there were no paid days of employment. The act also amends the 2005 changes with respect to the UNC phased retirement program to (1) make the exemption for the phased retirement program permanent; and (2) require UNC to limit the phased retirement program to retirees who have reached a normal retirement age (to be designated by UNC as either 59½ or 60 years). The act also authorizes the community colleges system to establish a similar phased retirement program for faculty that has reached normal retirement age.

GS 135-3(8)c. permits a retiree on an early or service retirement allowance to return to work for a TSERS employer on a part-time, interim, temporary, or contractual basis but the retirement allowance is suspended if the retiree earns the greater of \$20,000 or 50% of the retiree's salary during the 12 months before retirement. The suspension of the retirement allowance is known as the "salary cap." This act amends GS 135-3(8)c. to provide that the retiree's allowance is also suspended if the retiree's earnings in any month exceed 60% of the retirees average monthly compensation during the 12 months before retirement (excluding terminal payments). There is an exception for retirees whose employment is for a fixed period of no more than six months and is preceded by at least six months of continuous separation from active service.

GS 135-3(8)c. provides an exemption from the salary cap for teachers who have been retired and not employed by a public school in any capacity for at least six months and are then reemployed to teach in public school in a permanent capacity that exceeds 50% of the applicable work week. The exemption was set to sunset June 30, 2007; this act deletes the sunset, effective June 30, 2006. This act also amends GS 135-3(8)c. to reduce the no-employment period from six months to the sum of 25 days plus the longer of the number of weeks during each of the previous two years that there were no paid days of employment.

ESTIMATED IMPACT: Retirement System Actuary: Buck Consultants estimates the cost to be 0.24% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General Fund	\$20.3M	\$21.2M	\$22.1M	\$23.0M	\$23.0M
Highway Fund	\$1.0M	\$1.0M	\$1.1M	\$1.1M	\$1.2M
Receipt Funds	<u>\$6.5M</u>	<u>\$6.7M</u>	<u>\$7.0M</u>	<u>\$7.3M</u>	<u>\$7.6M</u>
TOTAL COST	\$27.8M	\$29.0M	\$30.2M	\$31.5M	\$32.8M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.28% the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General Fund	\$23.7M	\$24.7M	\$25.8M	\$26.9M	\$28.0M
Highway Fund	\$1.2M	\$1.2M	\$1.3M	\$1.3M	\$1.4M
Receipt Funds	<u>\$7.6M</u>	<u>\$7.9M</u>	<u>\$8.2M</u>	<u>\$8.6M</u>	<u>\$8.9M</u>
TOTAL COST	\$32.4M	\$33.8M	\$35.2M	\$36.7M	\$38.3M

There are available gains of 0.70% of payroll in the Teachers' and State Employees' Retirement System to fund this without increasing the contribution rate.

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, 2004 actuarial valuation of the fund. The data included 311,612 active members with an annual payroll of \$10.4 billion and 128,577 retired members in receipt of annual pensions totaling \$2.3 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) annual salary increase rates from 5.45% to 12.08% which includes an inflation rate of 3.75% (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: Buck Consultants
Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: None

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: Lynn Muchmore, Director
Fiscal Research Division

DATE: June 2, 2006



Signed Copy Located in the NCGA Principal Clerk's Offices



May 30, 2006

Mr. J. Brett Joyal
Policy Director
State of North Carolina
Department of State Treasurer
Retirement Systems Division
325 North Salisbury Street
Raleigh, NC 27603-1385

Re: House Bill 1910

Dear Mr. Joyal:

We have received Mr. Garry Austin's letter of May 16 regarding House Bill 1910, which affects the Teachers' and State Employees' Retirement System (TSERS).

This proposed legislation appears to:

1. Add a definition of Normal Retirement Age that is age 60 or older with 25 or more years of creditable service or age 65 or older with five years of membership service and to allow the commencement of a retirement benefit at Normal Retirement Age regardless of whether termination of employment has occurred;
2. Suspend the retirement allowance if a retired employee earns in a month more than 60% of the average reported monthly compensation, excluding terminal payments, earned during the 12 months of service immediately preceding retirement; and
3. Modify the definition of the earnings cap exemption of G.S. 138-3(8)c to include a beneficiary of TSERS who meets the retirement definition of G.S. 135-1(20) and who, before the effective date of reemployment, has not been employed in any capacity with a public school at any time during the total of 25 working days immediately following the effective date of retirement plus the longer of the number of weeks during each of the previous two years in which there were no paid days of employment for the member and who is employed to teach in a permanent full-time or part-time capacity.

As we discussed, we are providing an estimate of the costs separately for:

- The combination of items 1 and 2,
- The combination of items 2 and 3, and
- The combination of items 1, 2 and 3.

These estimates are based on the results of the December 31, 2004 valuation of TSERS (which includes approximately 90,000 teachers), the assumption changes approved by the Board, and a modification to the retirement assumptions to reflect the earlier retirements that would arise due to these proposed changes.

Add Normal Retirement Age Definition and Add 60% Monthly Earnings Cap - Items 1 and 2

The cost for these proposed changes is 0.09% of payroll. Assuming that none of the undistributed gains are used to cover the costs of this proposed change and based on the estimated state payrolls for the 2006 Session of the General Assembly, the cost of this proposed change for the 2006 - 2007 fiscal year is:

	Estimated State Payroll for Retirement Appropriations Purposes for the 2006 Session of the General Assembly	Estimated Increase in Contributions for 2006 - 2007 Fiscal Year
General Fund	\$ 8,471,000,000	\$ 7,623,900
Highway Fund	418,300,000	376,470
Receipts/Other Funds	<u>2,698,700,000</u>	<u>2,428,830</u>
Total	\$11,588,000,000	\$ 10,429,200

Add 60% Monthly Earnings Cap and Change Earnings Cap Exemption - Items 2 and 3

The cost for these proposed changes is 0.17% of payroll. Assuming that none of the undistributed gains are used to cover the costs of this proposed change and based on the estimated state payrolls for the 2006 Session of the General Assembly, the cost of this proposed change for the 2006 - 2007 fiscal year is:

	Estimated State Payroll for Retirement Appropriations Purposes for the 2006 Session of the General Assembly	Estimated Increase in Contributions for 2006 - 2007 Fiscal Year
General Fund	\$ 8,471,000,000	\$ 14,400,700
Highway Fund	418,300,000	711,110
Receipts/Other Funds	<u>2,698,700,000</u>	<u>4,587,790</u>
Total	\$11,588,000,000	\$ 19,699,600

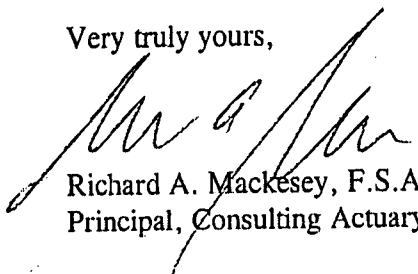
Add Normal Retirement Age Definition, Add 60% Monthly Earnings Cap and Change Earnings Cap Exemption – Items 1, 2 and 3

The cost for these proposed changes is 0.24% of payroll. Assuming that none of the undistributed gains are used to cover the costs of this proposed change and based on the estimated state payrolls for the 2006 Session of the General Assembly, the cost of this proposed change for the 2006 - 2007 fiscal year is:

	Estimated State Payroll for Retirement Appropriations Purposes for the 2006 Session of the General Assembly	Estimated Increase in Contributions for 2006 - 2007 Fiscal Year
General Fund	\$ 8,471,000,000	\$ 20,330,400
Highway Fund	418,300,000	1,003,920
Receipts/Other Funds	<u>2,698,700,000</u>	<u>6,476,880</u>
Total	\$11,588,000,000	\$ 27,811,200

If you have any questions or need additional assistance, please let us know.

Very truly yours,


Richard A. Mackesey, F.S.A.
Principal, Consulting Actuary

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HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

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Phone: (336) 731-4038

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668 Link Road
Lexington, NC 27295

June 2, 2006

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

Re: House Bill 1910/Senate Bill 1474: An Act to Amend the Law
Affecting Retirees Returning to Work

Dear Mr. Moore:

Currently, G.S. 135-1(20) defines retirement from the Teachers' and State Employees' Retirement System (TSERS) as the termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service. 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 with a public school during the 6 month period. This exclusion of earnings when reemployed to teach expires June 30, 2007.

These bills would make the following changes regarding retirees returning to work:

- ◆ Define normal retirement age as age 60 or older with 25 years of service or age 65 or older with 5 years of service. A retirement benefit could commence at normal retirement age regardless of termination of employment.
- ◆ Provide for suspension of retirement benefits if the beneficiary earns in any month more than 60% of the average monthly compensation over the twelve months prior to retirement. This limit would not apply if the reemployment is for a fixed term of less than six months and is preceded by a six month separation from service following retirement.
- ◆ Modify the exclusion from the earnings cap when reemployed to teach from a six month break preceding reemployment to 25 working days immediately following retirement plus the longer of the

Mr. Stanley Moore
June 2, 2006

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number of weeks during each of the previous two years in which there were no paid days of employment for the member.

- ♦ Eliminate the sunset of the exclusion from the earnings test when reemployed to teach, making that provision permanent.

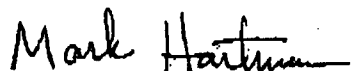
These changes are effective July 1, 2006 but do not apply to participants of the University of North Carolina Phased Retirement Program or to participants of a phased retirement program authorized for faculty of the North Carolina Community College System.

Allowing Plan members who have reached normal retirement age to commence benefit payments without terminating employment will likely accelerate the retirement of members. However, the impact will be mitigated by the earnings restriction, only allowing for part-time employment following retirement. Reducing the separation from service period required to be exempt from the earnings restriction when reemployed to teach is also likely to accelerate retirements of teachers.

Accelerating retirement creates a cost to the Plan. The estimated impact of these provisions on the TSERS is an annual cost of 0.28% of payroll. This estimate reflects an increase in the normal cost rate and provides for amortization of additional accrued liabilities over a 9 year period. Computations are based on the most recent actuarial valuation prepared as of December 31, 2004, and data you provided on current retired teachers who are reemployed with no earnings restriction. We have also incorporated the retirement rate assumptions adopted by the TSERS which reflect experience over the 2000-2004 calendar years.

If you have any questions, let me know.

Sincerely,



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

MVH/mt



NORTH CAROLINA GENERAL ASSEMBLY

Legislative Services Office

George R. Hall, Legislative Services Officer

Fiscal Research Division
300 N. Salisbury Street, Suite 619
Raleigh, NC 27603-5925
Tel. 919-733-4910 Fax 919-715-3589

Lynn Muchmore
Director

June 5, 2006

MEMORANDUM

TO: Representative Rick Glazier

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1910

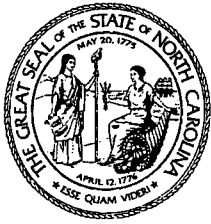
Re: Retirees Return to Work

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

cc: Representative Larry Bell
Representative Gene Wilson
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates



HOUSE BILL 1910: Retirees Returning to Work

BILL ANALYSIS

Committee:	House Pensions and Retirement	Date:	June 20, 2006
Introduced by:	Reps. Glazier, Carney, Yongue, Lucas	Summary by:	Karen Cochrane-Brown
Version:	First Edition		Committee Counsel

SUMMARY: *House Bill 1910 amends the law governing the Teachers' and State Employees' Retirement System relating to employment after retirement.*

[As introduced, this bill was identical to S1474, as introduced by Sen. Swindell, which is currently in Senate Appropriations/Base Budget.]

CURRENT LAW:

In 2005, the General Assembly extended the sunset on the provision that allows retired teachers to return to teaching with no earnings restriction until June 30, 2007. In addition, the definition of the term "retirement" was amended to provide that in order to receive a retirement allowance a member must terminate employment and make a complete separation from service with no intent or agreement to return to service. The law also provided that in order to establish a complete separation from service a member must render no service whatsoever to a participating employer for a period of six months following the effective date of retirement.

BILL ANALYSIS:

House Bill 1910 amends the Retirement Law to establish a definition of the term "normal retirement age" and to amend the definition of the term "retirement". Normal retirement age is defined as age 60 or older with 25 years of service or age 65 or older with five years of service. These ages represent two of three separate eligibility standards required to receive an unreduced retirement allowance. The third and most often used standard is 30 years of service with no age requirement. The definition of "retirement" is amended to remove the reference to termination of employment and to remove the requirement that a member render no service during the six months immediately following retirement. This provision is replaced by a requirement that the member render no service during the 25 working days following retirement plus the longer of the number of weeks during each of the two previous two years in which there were no paid days of employment.

The bill also removes the sunset on the provision that allows retired teachers to return to teaching at a public school without any earnings restrictions. This amendment would make the benefit a permanent part of the law. This section is made effective June 30, 2006. An amendment is necessary to reconcile this provision with the effective date clause.

The bill allows a retired member to return service without suspension of the retirement allowance if the member's monthly earnings do not exceed 60% of the average monthly compensation earned during the member's 12 months of service immediately preceding retirement, except that the earnings may exceed 60% if the employment is for a fixed period of no more than six months and the employment was preceded by six months of continuous separation from service following retirement.

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With regard to retired teachers, the bill allows them to return to teaching in a permanent full-time or part-time capacity with no limitation on earnings as long as there is a separation from service of 25 working days plus the longer of the number of weeks during each of the previous two years in which there were no paid days of employment.

The bill also amends the definition of "retired teacher" in the Education Law to conform to the changes made in the Retirement Law.

The bill further directs the University of North Carolina to establish a normal retirement age of either 59 1/2 or 60 for the Optional Retirement Program and to limit access to the Phased Retirement Program to persons who have reached normal retirement age.

Finally, the bill authorizes the Community College System to establish a Phased Retirement Program similar to the one created by the University.

EFFECTIVE DATE: The act would become effective July 1, 2006, but Sections 1 through 5 would not be applicable to participants in the Phased Retirement Programs of the University or the Community College System.

BACKGROUND:

1998 – Original Legislation

Permit Retired Teachers to Work as Substitute Teachers in Public Schools or as Teachers in Low-Performing Schools Without Losing Retirement Benefits (S.L. 1998-212, Sec. 28.24; SB 1366, Sec. 28.24, as amended by S.L. 1998-217, Sec. 67 and 67.1; SB 1279, Sec. 67 and 67.1)

- Excluded the following earnings from the computation of retirement benefits of a public school teacher who has been retired for at least 12 months and who has not been employed, other than as a substitute teacher, with a public school for at least 12 months:
 - (i) earnings while employed on a substitute or interim basis in a public school;
 - (ii) earnings while employed in the teacher's area of certification in a public elementary or middle school designated as low-performing where at least 48% of the students were below grade level during at least one of the two years before the designation or in a high school designated as low-performing, and while continuing to be employed in that school for the two school years after the removal of this designation; or
 - (iii) earnings while employed in the teacher's area of certification in a geographical area where the State Board of Education has determined there is a shortage of teachers in that area of certification.
- Clarified that a person employed under this section is considered a probationary teacher.
- Directed the Department of Public Instruction to certify to the Retirement System that a beneficiary is employed under this section.
- Amended G.S. 115C-316 to prohibit local boards of education from paying a retired teacher more than the employee would have received on the teacher salary schedule, excluding longevity, if the employee had not retired.
- Amended G.S. 115C-325(a) to define a retired teacher as (i) a Retirement System beneficiary who has been retired at least 12 months, (ii) one who has not been employed in any capacity, other than as a substitute teacher, with a local board of education for at least 12 months, (iii) one who had satisfactory performance, as determined by a local board of education, during the last year of employment by that board, and (iv) one who is employed to teach as a probationary teacher under G.S. 135-3(8)c.
- These changes took effect January 1, 1999, and were to expire June 30, 2003. (RJ)

2000 – Expanded Application

Encourage Retired Teachers to Return to the Classroom (S.L. 2000-67, Secs. 8.24(a)-(b); HB 1840)

House Bill 1910

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- Removed requirements that teachers must be employed in a low-performing school or in a geographical area where there is a shortage of teachers.
- Took effect July 1, 2000, and was to expire July 1, 2003.

2001 - Break in service is reduced to 6 months:

Shorten the Amount of Time Retired Teachers Must be Retired

Before They Return to Work (S.L. 2001-424, Sec. 32.25; SB 1005)

- Shortened the period of time from 12 months to six months that a beneficiary of the Teachers' and State Employees' Retirement System must be retired prior to reemployment in a public school.
- Expanded permissible employment during the break in service to include employment as a part-time tutor.
- Became effective July 1, 2001 and was to expire June 30, 2003.

2002 – Extend the sunset to June 30, 2004; IRS ruling requested:

Retired Teachers Returning to the Classroom Without Loss of

Retirement Benefits/Option Extended (S.L. 2002-126, Sec. 28.10; SB 1115)

- Extended sunset to June 30, 2004.
- Directed the State Treasurer to seek a ruling from the IRS to determine whether the break in service could be reduced from six months to two months without adverse affect on the tax qualification of the Teachers' and State Employees' Retirement System.
- Became effective July 1, 2002.

2004 – Extend the sunset to June 30, 2005; Add Reemployed Retired Teacher Contribution; Study authorized:

Retired Teachers Returning to the Classroom Without Loss of

Retirement Benefits/Option Extended (S.L. 2004-124, Sec. 31.18A)

- Extended sunset to June 30, 2005.
- Directed the Retirement Systems Division to conduct an analysis of the postretirement reemployment issue, including a survey of peer State systems, cost analyses, review of relevant impacting federal regulations, and the administrative impact of various postretirement reemployment policies. To be reported to General Assembly by February 1, 2005.
- Authorized Retirement Systems Division to modify its IRS inquiry in order to obtain a substantive ruling.
- Established a Reemployed Teacher Retirement Contribution Rate equal to 11.7% of the salary paid to a retired reemployed teacher, may not exceed 100% of the State-supported salary provided for that teacher's position. If the salary of a retired reemployed teacher plus the contribution rate of 11.7% exceeds 100% of the gross State-supported salary funding for the position, then the additional requirements must be paid with local funds.

Extend Provision to Charter Schools (S.L. 2004-199, Sec. 57)

- Extended provision so retiree may teach in a charter school as well as in a traditional public school.

2005 – Extend the sunset to June 30, 2007; Clarify Definition of Retirement.

Retired Teachers Returning to Classroom Without Loss of Retirement Benefit (S.L. 2005-144, Sec. 7A)

- Extended sunset to June 30, 2007.

Conform Retiree Return to Teaching Benefit to IRS Guidelines/ Clarify Definition of Retirement (S.L. 2005-276, Sec. 29.28)

Drupti Chauhan, counsel to Senate Education, substantially contributed to this summary.

H1910e1-SMRO



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1910*

H1910-ARO-54 [v.1]

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

Page 1 of 1

Date _____, 2006

Comm. Sub. [NO]
Amends Title [NO]
First Edition

Representative _____

1 moves to amend the bill on page 4, line 22, by rewriting the line to read:
2

3 "SECTION 9. Section 3 of this act becomes effective June 30, 2006, the
4 remainder of this act becomes effective July 1, 2006, but Sections 1".
5

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

HB 1910 A BILL TO BE ENTITLED AN ACT TO AMEND THE LAW AFFECTING RETIREES RETURNING TO WORK.

☒ With a favorable report as to the committee substitute bill, unfavorable as to the original bill, and recommendation that the committee substitute bill be re-referred to the Committee on APPROPRIATIONS.

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. _____) is placed on the Calendar of _____. (The original bill resolution No. _____) is placed on the Unfavorable Calendar.

_____ The (House) committee substitute bill/(joint) resolution (No. _____) is re-referred to the Committee on _____. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. _____) is placed on the Unfavorable Calendar.

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

July 12, 2006

The House Committee on Pensions and Retirement met Wednesday, July 12, 2006, 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 B. Allen, Representatives Coleman, Folwell, Kiser, Ross, and Spear. Research Staff Karen Cochran 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 introduced Representative Haire to explain House Bill 2219 A BILL TO BE ENTITLED AN ACT TO ENHANCE THE LONGEVITY PAY OF JUDGES, DISTRICT ATTORNEYS, ASSISTANT DISTRICT ATTORNEYS, PUBLIC DEFENDERS, ASSISTANT PUBLIC DEFENDERS, CLERKS OF SUPERIOR COURT, AND THE DIRECTOR AND ASSISTANT DIRECTOR OF THE ADMINISTRATIVE OFFICE OF THE COURTS. (Attachment 2) Representative Ross moved for a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations. The motion passed. Committee Report (Attachment 3)

There being no further business, Representative Bell adjourned the meeting at 10:30 a.m.

Attachments

1. Visitation Registration Sheet
2. HB 2219
3. Committee Report

Respectfully submitted,

Rebecca Jones-Cooper

A handwritten signature in cursive script, appearing to read 'R. Jones-Cooper'.

Committee Assistant

Carolyn Edwards

A handwritten signature in cursive script, appearing to read 'Carolyn Edwards'.

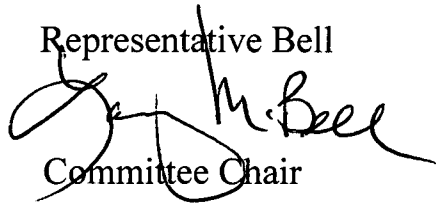
Committee Assistant

Representative Wilson

A handwritten signature in cursive script, appearing to read 'Gene Wilson'.

Committee Chair

Representative Bell

A handwritten signature in cursive script, appearing to read 'J. M. Bell'.

Committee Chair

Rebecca Jones (Rep. G. Wilson)

From: Carolyn Edwards (Rep. Bell)
Sent: Tuesday, July 11, 2006 12:54 PM
To: Rep. Phillip Haire; Rep. Bill Faison; Rep. Ron Sutton
Subject: HB 2219

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2005-2006 SESSION**

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

DAY & DATE: Wednesday, July 12, 2006

TIME: 10:00 AM

LOCATION: LOB 544

The following bill will be considered (Bill # & Short Title & Bill Sponsor):
HB 2219 Judicial System Longevity Pay – Representatives Haire, Faison, Sutton

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, July 11, 2006.**

____ Principal Clerk
____ Reading Clerk - House Chamber

Carolyn A. Edwards (Committee Assistant)

7/11/2006

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

July 12, 2006

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Brett Joyal

DST

ABBY PAROUEL

DST

Joe White

DST

Rich Webb

NCGA

John Phelps

NCLM

Marge Forman

NCAE

CPMA

NCAZ

ELLIS HANKINS

NCLM

Michael Houser

NCAE

Alex Sewell

WC SR

Kathryn

AOC

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

July 12, 2006

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Stella McKenney

DST

David Cartner

NC Bar Assoc.

Ed Rega

NCRGEA

Jim/Cent

DA - 21st Rpt

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

**July 12, 2006
10:00 A. M.
Room 544 LOB**

**Representative Larry M. Bell
Presiding Chair**

CALL TO ORDER

OPENING REMARKS

BILL TO BE CONSIDERED:

HB 2219 – Judicial System Longevity Pay

Representatives Haire, Faison, Sutton

ADJOURNMENT

Chairs:

Representative L. Bell

Representative G. Wilson

AH. 2

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

1

HOUSE BILL 2219

Short Title: Judicial System Longevity Pay.

(Public)

Sponsors: Representatives Haire, Faison, Sutton (Primary Sponsors); Bordsen, Daughtry, Glazier, Goodwin, Harrell, Harrison, Kiser, Martin, Moore, Ross, and Spear.

Referred to: Pensions and Retirement.

May 18, 2006

A BILL TO BE ENTITLED

AN ACT TO ENHANCE THE LONGEVITY PAY OF JUDGES, DISTRICT ATTORNEYS, ASSISTANT DISTRICT ATTORNEYS, PUBLIC DEFENDERS, ASSISTANT PUBLIC DEFENDERS, CLERKS OF SUPERIOR COURT, AND THE DIRECTOR AND ASSISTANT DIRECTOR OF THE ADMINISTRATIVE OFFICE OF THE COURTS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 7A-10(c) reads as rewritten:

"(c) In lieu of merit and other increment raises paid to regular State employees, the Chief Justice and each of the Associate Justices shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, ~~and~~ nineteen and two-tenths percent (19.2%) after 20 years of ~~service.~~ service, and twenty-four percent (24%) after 25 years of service. "Service" means service as a justice or judge of the General Court of Justice or as a member of the Utilities Commission. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 2. G.S. 7A-18(b) reads as rewritten:

"(b) In lieu of merit and other increment raises paid to regular State employees, a judge of the Court of Appeals shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, ~~and~~ nineteen and two-tenths percent (19.2%) after 20 years of ~~service.~~ service, and twenty-four percent (24%) after 25 years of service. "Service" means service as a justice or judge of the General Court of Justice or as a

1 member of the Utilities Commission. Service shall also mean service as a district
2 attorney or as a clerk of superior court."

3 **SECTION 3.** G.S. 7A-44(b) reads as rewritten:

4 "(b) In lieu of merit and other increment raises paid to regular State employees, a
5 judge of the superior court, regular or special, shall receive as longevity pay an annual
6 amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the
7 Current Operations Appropriations Act payable monthly after five years of service, nine
8 and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent
9 (14.4%) after 15 years of service, ~~and nineteen and two-tenths percent (19.2%) after 20~~
10 ~~years of service. service, and twenty-four percent (24%) after 25 years of service.~~
11 "Service" means service as a justice or judge of the General Court of Justice or as a
12 member of the Utilities Commission or as director or assistant director of the
13 Administrative Office of the Courts. Service shall also mean service as a district
14 attorney or as a clerk of superior court."

15 **SECTION 4.** G.S. 7A-65 reads as rewritten:

16 **"§ 7A-65. Compensation and allowances of district attorneys and assistant district**
17 **attorneys.**

18 (a) The annual salary of:

- 19 (1) District attorneys shall be the midpoint amount between the salary of a
20 senior resident superior court judge and the salary of a chief district
21 court judge, as provided by law,
22 (2) Full-time assistant district attorneys shall be as provided in the Current
23 Operations Appropriations Act.

24 When traveling on official business, each district attorney and assistant district
25 attorney is entitled to reimbursement for his subsistence and travel expenses to the same
26 extent as State employees generally.

27 (b) Repealed by Session Laws 1985, c. 689, s. 2.

28 (c) In lieu of merit and other increment raises paid to regular State employees, a
29 district attorney shall receive as longevity pay an amount equal to four and eight-tenths
30 percent (4.8%) of the annual salary set forth in the Current Operations Appropriations
31 Act payable monthly after five years of service, and nine and six-tenths percent (9.6%)
32 after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of
33 service, and nineteen and two-tenths percent (19.2%) after 20 years of ~~service. service,~~
34 ~~and twenty-four percent (24%) after 25 years of service.~~ Service shall mean service in
35 the elective position of a district attorney and shall not include service as a deputy or
36 acting district attorney. Service shall also mean service as a justice or judge of the
37 General Court of Justice, clerk of superior court, assistant district attorney, public
38 defender, appellate defender, or assistant public or appellate defender.

39 (d) In lieu of merit and other increment raises paid to regular State employees, an
40 assistant district attorney shall receive as longevity pay an amount equal to four and
41 eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations
42 Appropriations Act payable monthly after five years of service, nine and six-tenths
43 percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after
44 15 years of service, and nineteen and two-tenths percent (19.2%) after 20 years of

1 ~~service.~~ service, and twenty-four percent (24%) after 25 years of service. "Service"
2 means service as an assistant district attorney, district attorney, resource prosecutor,
3 public defender, appellate defender, assistant public or appellate defender, justice or
4 judge of the General Court of Justice, or clerk of superior court. For purposes of this
5 subsection, "resource prosecutor" means a former assistant district attorney who has left
6 the employment of the district attorney's office to serve in a specific, time-limited
7 position with the Conference of District Attorneys."

8 **SECTION 5.** G.S. 7A-101 reads as rewritten:

9 "(c) In lieu of merit and other increment raises paid to regular State employees, a
10 clerk of superior court shall receive as longevity pay an amount equal to four and
11 eight-tenths percent (4.8%) of the clerk's annual salary payable monthly after five years
12 of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and
13 four-tenths percent (14.4%) after 15 years of service, and nineteen and two-tenths
14 percent (19.2%) after 20 years of ~~service.~~ service, and twenty-four percent (24%) after
15 25 years of service. Service shall mean service in the elective position of clerk of
16 superior court, as an assistant clerk of court and as a supervisor of clerks of superior
17 court with the Administrative Office of the Courts and shall not include service as a
18 deputy or acting clerk. Service shall also mean service as a justice, judge, or magistrate
19 of the General Court of Justice or as a district attorney."

20 **SECTION 6.** G.S. 7A-144(b) reads as rewritten:

21 "(b) Notwithstanding merit, longevity and other increment raises paid to regular
22 State employees, a judge of the district court shall receive as longevity pay an annual
23 amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the
24 Current Operations Appropriations Act payable monthly after five years of service, nine
25 and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent
26 (14.4%) after 15 years of service, and nineteen and two-tenths percent (19.2%) after 20
27 years of ~~service.~~ service, and twenty-four percent (24%) after 25 years of service.
28 "Service" means service as a justice or judge of the General Court of Justice or as a
29 member of the Utilities Commission or as director or assistant director of the
30 Administrative Office of the Courts. Service shall also mean service as a district
31 attorney or as a clerk of superior court."

32 **SECTION 7.** G.S. 7A-498.7 reads as rewritten:

33 **"§ 7A-498.7. Public Defender Offices.**

34 (a) The following counties of the State are organized into the defender districts
35 listed below, and in each of those defender districts an office of public defender is
36 established:

Defender District	Counties
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans
3A	Pitt
3B	Carteret

1	10	Wake
2	12	Cumberland
3	14	Durham
4	15B	Orange, Chatham
5	16A	Scotland, Hoke
6	16B	Robeson
7	18	Guilford
8	21	Forsyth
9	26	Mecklenburg
10	27A	Gaston
11	28	Buncombe
12		

13 After notice to, and consultation with, the affected district bar, senior resident superior
14 court judge, and chief district court judge, the Commission on Indigent Defense
15 Services may recommend to the General Assembly that a district or regional public
16 defender office be established. A legislative act is required in order to establish a new
17 office or to abolish an existing office.

18 (b) For each new term, and to fill any vacancy, public defenders shall be
19 appointed from a list of not less than two and not more than three names nominated by
20 written ballot of the attorneys resident in the defender district who are licensed to
21 practice law in North Carolina. The balloting shall be conducted pursuant to rules
22 adopted by the Commission on Indigent Defense Services. The appointment shall be
23 made by the senior resident superior court judge of the superior court district or set of
24 districts as defined in G.S. 7A-44.1 that includes the county or counties of the defender
25 district for which the public defender is being appointed.

26 (c) A public defender shall be an attorney licensed to practice law in North
27 Carolina and shall devote full time to the duties of the office. In lieu of merit and other
28 increment raises paid to regular State employees, a public defender shall receive as
29 longevity pay an amount equal to four and eight-tenths percent (4.8%) of the annual
30 salary set forth in the Current Operations Appropriations Act payable monthly after five
31 years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen
32 and four-tenths percent (14.4%) after 15 years of service, and nineteen and two-tenths
33 percent (19.2%) after 20 years of ~~service~~ service, and twenty-four percent (24%) after
34 25 years of service. "Service" means service as a public defender, appellate defender,
35 assistant public or appellate defender, district attorney, assistant district attorney, justice
36 or judge of the General Court of Justice, or clerk of superior court.

37 (d) Subject to standards adopted by the Commission, the day-to-day operation
38 and administration of public defender offices shall be the responsibility of the public
39 defender in charge of the office. The public defender shall keep appropriate records and
40 make periodic reports, as requested, to the Director of the Office of Indigent Defense
41 Services on matters related to the operation of the office.

42 (e) The Office of Indigent Defense Services shall procure office equipment and
43 supplies for the public defender, and provide secretarial and library support from State
44 funds appropriated to the public defender's office for this purpose.

(f) Each public defender is entitled to assistant public defenders, investigators, and other staff, full-time or part-time, as may be authorized by the Commission. Assistants, investigators, and other staff are appointed by the public defender and serve at the pleasure of the public defender. Average and minimum compensation of assistants shall be as provided in the biennial Current Operations Appropriations Act. The actual salaries of assistants shall be set by the public defender in charge of the office, subject to approval by the Commission. The Commission shall fix the compensation of investigators. Assistants and investigators shall perform such duties as may be assigned by the public defender.

(g) In lieu of merit and other increment raises paid to regular State employees, an assistant public defender shall receive as longevity pay an amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, and nineteen and two-tenths percent (19.2%) after 20 years of ~~service.~~ service, and twenty-four percent (24%) after 25 years of service. "Service" means service as a public defender, appellate defender, assistant public or appellate defender, district attorney, assistant district attorney, justice or judge of the General Court of Justice, or clerk of superior court.

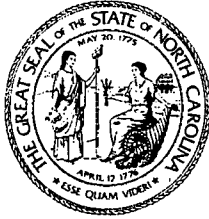
(h) The term of office of public defender appointed under this section is four years. A public defender or assistant public defender may be suspended or removed from office, and reinstated, for the same causes and under the same procedures as are applicable to removal of a district attorney.

(i) A public defender may apply to the Director of the Office of Indigent Defense Services to enter into contracts with local governments for the provision by the State of services of temporary assistant public defenders pursuant to G.S. 153A-212.1 or G.S. 160A-289.1.

(j) The Director of the Office of Indigent Defense Services may provide assistance requested pursuant to subsection (i) of this section only upon a showing by the requesting public defender, supported by facts, that the overwhelming public interest warrants the use of additional resources for the speedy disposition of cases involving drug offenses, domestic violence, or other offenses involving a threat to public safety.

(k) The terms of any contract entered into with local governments pursuant to subsection (i) of this section shall be fixed by the Director of the Office of Indigent Defense Services in each case. Nothing in this section shall be construed to obligate the General Assembly to make any appropriation to implement the provisions of this section or to obligate the Office of Indigent Defense Services to provide the administrative costs of establishing or maintaining the positions or services provided for under this section. Further, nothing in this section shall be construed to obligate the Office of Indigent Defense Services to maintain positions or services initially provided for under this section."

SECTION 8. This act becomes effective July 1, 2006.



HOUSE BILL 2219: Judicial System Longevity Pay

BILL ANALYSIS

Committee:	House Pensions and Retirement	Date:	July 11, 2006
Introduced by:	Reps. Haire, Faison, Sutton	Summary by:	Theresa Matula
Version:	First Edition		Committee Staff

SUMMARY: *House Bill 2219 adds a new longevity pay tier at a rate of 24% for 25 years of service for judges, district attorneys, assistant district attorneys, public defenders, assistant public defenders, clerks of superior court and director and assistant director of the administrative office of the courts.*

CURRENT LAW:

- G.S. 7A-10 pertains to the compensation of Supreme Court Justices.
- G.S. 7A-18 pertains to the compensation of Court of Appeals Judges.
- G.S. 7A-44 pertains to the salary and expenses of Superior Court Judges.
- G.S. 7A-65 pertains to the compensation and allowances of District Attorneys and Assistant District Attorneys.
- G.S. 7A-101 pertains to Clerk of Superior Court compensation.
- G.S. 7A-144 pertains to District Judges compensation.
- G.S. 7A-498.7 pertains to Public Defender and Assistant Public Defender longevity.
- G.S. 7A-341 provides that the Director of the Office of the Administrative Office of the Courts shall receive longevity at the rates and for the service designated in G.S. 7A-44(b) for a judge of the superior court.
- G.S. 7A-342 provides that the Assistant Director of the Administrative Office of the Courts shall receive longevity pay at the rates and for the service designated in G.S. 7A-144(b) for a judge of the district court.

BILL ANALYSIS:

House Bill 2219 adds a 25 years of service tier to the longevity pay scale for each of the above categories to be paid at a rate of 24%.

This bill is effective July 1, 2006.

H2219e1-SMSH

**2005 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

By Representative Bell, Wilson (Chairs) for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

HB 2219 A BILL TO BE ENTITLED AN ACT TO ENHANCE THE LONGEVITY PAY OF JUDGES, DISTRICT ATTORNEYS, ASSISTANT DISTRICT ATTORNEYS, PUBLIC DEFENDERS, ASSISTANT PUBLIC DEFENDERS, CLERKS OF SUPERIOR COURT, AND THE DIRECTOR AND ASSISTANT DIRECTOR OF THE ADMINISTRATIVE OFFICE OF THE COURTS.

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

(FOR JOURNAL USE ONLY)

_____ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on _____.

_____ The bill/resolution is re-referred to the Committee on _____.