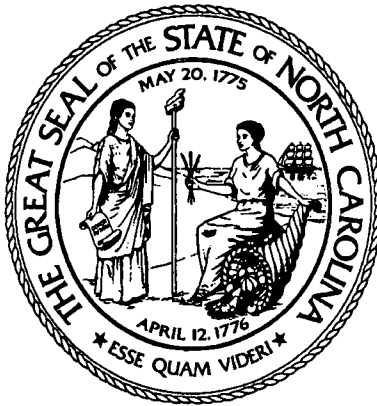


**2005-2006**

**SENATE  
PENSIONS &  
RETIREMENT & AGING**

**COMMITTEE  
MINUTES**



# **THE NORTH CAROLINA GENERAL ASSEMBLY**

## **SENATE PENSIONS & RETIREMENT AND AGING**

### **2005 SESSION**

**SENATOR LINDA GARROU, CHAIR  
SENATOR WALTER DALTON, CHAIR  
SENATOR KAY HAGAN, CHAIR  
SENATOR AUSTIN ALLRAN, CHAIR**

# **SENATE PENSIONS & RETIREMENT AND AGING**

## **2005 SESSION**

### **MEMBERSHIP**

**Senator Linda Garrou, Chair**  
**Senator Kay Hagan, Chair**  
**Senator Walter Dalton, Chair**  
**Senator Austin Allran, Chair**

**Senator Charlie Albertson**  
**Senator Robert Atwater**  
**Senator Stan Bingham**  
**Senator Katie Dorsett**  
**Senator Don East**  
**Senator James Forrester**  
**Senator Clark Jenkins**

**Senator Jeanne Lucas**  
**Senator Vernon Malone**  
**Senator William Purcell**  
**Senator Tony Rand**  
**Senator A.B. Swindell**  
**Senator Scott Thomas**  
**Senator David Weinstein**

2005-2006 Biennium

Bill	Introducer	Short Title	Date	Latest Action
H 23	Howard	FIRE AND RESCUE PENSION ELECTION.	*S 05-18-2005	Ref To Com On Pensions & Retirement and Aging
H 447	Glazier	LEO CREDITABLE SERVICE/WORKERS' COMPENSATION.	*S 05-02-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
H1237	Tucker	CHANGE LOCAL GOVERNMENTAL RETIREMENT BOARD.	*S 05-12-2005	Ref To Com On Pensions & Retirement and Aging
S 31=	Hoyle	INCREASE FIRE AND RESCUE SQUAD PENSION.	S 02-02-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S 149=	Thomas	LAW OFFICERS' 25-YEAR RETIREMENT.	S 02-16-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S 229=	Swindell IV	DISTRICT COURT JUDGE RETIREMENT AGE.	S 02-28-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S 326	Bingham	RETIRED NURSES RETURN TO WORK.	*S 04-21-2005	Re-ref Com On Pensions & Retirement and Aging
S 570	Swindell IV	EXTEND SUNSET ON RETIRED TEACHERS PROVISION.	S 04-06-2005	Re-ref Com On Pensions & Retirement and Aging
S 638=	Stevens	RECIPROCITY/OPTIONAL RETIREMENT SYSTEM.	S 03-17-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S 648=	Brock	25-YEAR RETIREMENT FOR FIRST RESPONDERS.	S 03-17-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S 710=	Swindell IV	FIRE AND RESCUE WORKERS' RETIREMENT.	S 03-21-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S 723=	Thomas	NC NATIONAL GUARD PENSION CHANGES.	S 03-22-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S 910	Dorsett	RETIREMENT BENEFICIARY DESIGNATION.	S 03-24-2005	Ref To Com On Pensions & Retirement and Aging
S 975=	Dannelly	RETIREMENT SYSTEM COLAS.	S 03-24-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S 980	Atwater	PUBLIC DEFENDERS/JUDICIAL RETIREMENT SYSTEM.	S 03-24-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S1105=	Nesbitt, Jr.	RETIREMENT SYSTEMS TECHNICAL CORRECTIONS.	S 03-24-2005	Ref To Com On Pensions & Retirement and Aging

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

A bold line indicates the bill is an appropriations bill.

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

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



## MINUTES

### SENATE PENSIONS & RETIREMENT AND AGING

May 3, 2005

The Senate Committee on Pensions & Retirement and Aging met on Tuesday, May 3, 2005, in Room 1027 of the Legislative Building. There were 47 members present.

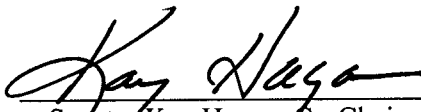
Senator Kay Hagan, Co-Chair of the Senate Pensions & Retirement and Aging Committee opened the meeting and thanked the members for attending. She announced that Senate Bill 622 was received as a sequential referral from the Senate Finance Committee in the form of a new Committee Substitute Bill. Senator Dalton, Co-Chair made a motion to accept the new Committee Substitute Bill for purposes of discussion. The Committee concurred.

Senator Dalton briefed the Committee on the Amendments passed during the preceding Senate Finance Committee meeting. Senator Weinstein moved for a Favorable Report with the unengrossed amendments. The Committee specified that authority be granted to Ms. Sarah Fuerst and Ms. Beth Barnes to make technical corrections as needed.

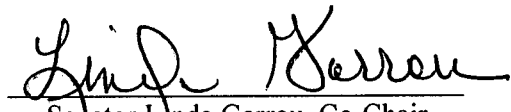
The Short Title of Senate Bill 622: ***2005 Appropriations Act***. The Long Title: ***An Act to Make Base Budget Appropriations for Current Operations of State Departments, Institutions, and Agencies, and for Other Purposes. (Please see Attachment 1).*** The Legislative Actuarial Note is included as *Attachment 2*.

Senate Bill 622 was: ***Unfavorable as to Committee Substitute Bill #1, as Amended by Appropriations/Base Budget and Finance, but Favorable as to Senate Committee Substitute Bill #2.***


Senator Hagan thanked the Committee members and adjourned the meeting.

  
\_\_\_\_\_  
Senator Kay Hagan, Co-Chair

  
\_\_\_\_\_  
Senator Walter Dalton, Co-Chair

  
\_\_\_\_\_  
Senator Linda Garrou, Co-Chair

  
\_\_\_\_\_  
Senator Austin Allran, Co-Chair

  
\_\_\_\_\_  
Christina K. Minard, Senate  
Committee Assistant

**NORTH CAROLINA GENERAL ASSEMBLY  
SENATE**

**PENSIONS & RETIREMENT AND AGING**

**Senator Linda Garrou, Co-Chair  
Senator Kay R. Hagan, Co-Chair  
Senator Walter Dalton, Co-Chair  
Senator Austin Allran, Co-Chair**

Tuesday, May 3, 2005

Senator Hagan,

Submits the following with recommendations as to passage:

**UNFAVORABLE AS TO CS #1, AS AMENDED BY APPROPRIATIONS/BASE BUDGET  
AND FINANCE, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE  
BILL #2.**

S.B. (C.S.#2)

**622**

Draft Number:

Sequential Referral:

Recommended Referral:

Long Title Amended:

2005 Appropriations Act.

PCS35221-LT-7

None

None

No

TOTAL REPORTED: 1

Committee Clerk Comments:

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005**

S

3

**SENATE BILL 622**

**Appropriations/Base Budget Committee Substitute Adopted 5/3/05  
Pensions & Retirement and Aging Committee Substitute Adopted 5/3/05**

Short Title: 2005 Appropriations Act.

(Public)

Sponsors:

Referred to:

March 17, 2005

A BILL TO BE ENTITLED  
AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT  
OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND  
AGENCIES, AND FOR OTHER PURPOSES.

The General Assembly of North Carolina enacts:

**PART I. INTRODUCTION AND TITLE OF ACT**

Requested by: Senators Garrou, Dalton, Hagan

**INTRODUCTION**

**SECTION 1.1.** The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget in accordance with the Executive Budget Act. Savings shall be effected where the total amounts appropriated are not required to perform these services and accomplish these purposes and the savings shall revert to the appropriate fund at the end of each fiscal year, except as otherwise provided by law.

Requested by: Senators Garrou, Dalton, Hagan

**TITLE OF ACT**

**SECTION 1.2.** This act shall be known as the "Current Operations and Capital Improvements Appropriations Act of 2005."

**PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

**CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

**SECTION 2.1.** Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated, are made for the biennium ending June 30, 2007, according to the following schedule:

**Current Operations – General Fund**

**2005-2006**

**2006-2007**

**EDUCATION**

**SENATE  
APPROPRIATIONS/BASE BUDGET COMMITTEE**

**REPORT  
ON THE  
CONTINUATION, EXPANSION  
AND CAPITAL BUDGETS**

**May 3, 2005**

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# Budget Reform Statement General Fund Availability

	FY 2005-2006	FY 2006-2007
1 Unappropriated Balance Remaining from Previous Year	0	247,722,490
2 Projected Over Collections FY 2004-05	428,400,000	0
3 Projected Reversions FY 2004-05	75,000,000	0
4 Less Earmarkings of Year End Credit Balance	0	0
5 Savings Reserve Account	(125,850,000)	0
6 Repairs and Renovations	(50,000,000)	0
7 <b>Beginning Unreserved Credit Balance</b>	<b>327,550,000</b>	<b>247,722,490</b>
8		
9 <b>Revenues Based on Existing Tax Structure</b>	<b>15,250,100,000</b>	<b>15,903,000,000</b>
10		
11 <b>Non-tax Revenues</b>		
12 Investment Income	75,300,000	78,500,000
13 Judicial Fees	142,200,000	147,900,000
14 Disproportionate Share	100,000,000	100,000,000
15 Insurance	56,600,000	58,800,000
16 Other Non-Tax Revenues	150,400,000	161,800,000
17 Highway Trust Fund/Use Tax Reimbursement Transfer	252,558,117	252,663,009
18 Highway Fund Transfer	16,200,000	16,200,000
19 <b>Subtotal Non-tax Revenues</b>	<b>793,258,117</b>	<b>815,863,009</b>
20		
21 <b>Total General Fund Availability</b>	<b>16,370,908,117</b>	<b>16,966,585,499</b>
22		
23 <b>Adjustments to Availability: 2005 Session</b>		
24 Streamlined Sales Tax Changes	72,200,000	87,800,000
25 Maintain 4.5% Sales Tax Rate	413,400,000	458,700,000
26 Other Sales Tax Changes		
27 Apply Sales Tax to Service Contracts and Warranties	9,100,000	16,800,000
28 Apply Sales Tax to Candy	11,000,000	15,800,000
29 Exempt Potting Soil for Farmers	(200,000)	(300,000)
30 Tobacco Tax Rate Changes	201,300,000	229,900,000
31 Reduce Highest Marginal Individual Income Tax Rate to 7.75% Over Two Years	20,100,000	24,600,000
32 Continue Use Tax Line on Individual Returns	3,200,000	3,200,000
33 Conform Estate Tax to Federal Sunset	30,700,000	121,600,000
34 Reduce Corporate Income Tax Rate	0	0
35 Corporate Tax "Throwout" Rule	9,800,000	10,300,000
36 Film Industry Jobs Incentives	(4,800,000)	(4,800,000)
37 IRC Update -- Partial Conformance	(8,000,000)	(10,700,000)
38 Increase Earmarking for NC Grape Growers Council	(150,000)	(150,000)
39 Justice and Public Safety fees	20,428,271	20,428,271
40 Transfer from Tobacco Trust Fund	34,000,000	30,000,000
41 Transfers from Special Revenue and Other Funds	8,953,950	0
42 Reimburse Debt Service for Certain Capital Facilities and Land Acquisition per SL 2004-179	5,958,723	21,060,827
43 Adjust Transfer from Insurance Regulatory Fund	256,513	243,813
44 Adjust Transfer from Treasurer's Office	68,478	67,478
45 <b>Subtotal Adjustments to Availability: 2005 Session</b>	<b>827,315,935</b>	<b>1,024,550,389</b>
46		
47 <b>Revised General Fund Availability</b>	<b>17,198,224,052</b>	<b>17,991,135,888</b>
48		
49 <b>Less: General Fund Appropriations</b>		
50 SB 622 (2005 Appropriations Act )	(16,850,501,562)	(17,416,590,416)
51 G.S. 143-15.3B: Clean Water Management Trust Fund	(100,000,000)	(100,000,000)
52		
<b>Total General Fund Appropriations 2005-07 Biennium</b>	<b>(16,950,501,562)</b>	<b>(17,516,590,416)</b>
53		
54 <b>Unappropriated Balance Remaining</b>	<b>247,722,490</b>	<b>474,545,472</b>

Adjusted Continuation Budget							
Restores Nonrecurring Reductions Directed by the 2003 General Assembly							
For Fiscal Years 2005-06 and 2005-07							
Budget Code	Function	FY 2005-2006 Recommended Continuation	General Assembly Adjustments	FY 2005-2006 Adjusted Continuation	FY 2006-2007 Recommended Continuation	General Assembly Adjustments	FY 2005-2006 Adjusted Continuation
<b>General Government:</b>							
14100	Administration	\$60,053,752		\$60,053,752	\$61,483,537		\$61,483,537
13300	State Auditor	\$10,850,737		\$10,850,737	\$10,840,918		\$10,840,918
14800	Cultural Resources	\$61,114,752		\$61,114,752	\$59,597,482		\$59,597,482
14802	Cultural Resources - Roanoke Island	\$1,783,374		\$1,783,374	\$1,783,374		\$1,783,374
11000	General Assembly						
	General Assembly Reserve		\$880,000			\$880,000	
	Subtotal	\$42,984,588	\$880,000	\$43,864,588	\$46,085,432	\$880,000	\$46,965,432
13000	Governor's Office	\$5,324,590		\$5,324,590	\$5,344,528		\$5,344,528
13010	NC Housing Finance	\$4,750,945		\$4,750,945	\$4,750,945		\$4,750,945
13900	Insurance	\$27,831,701		\$27,831,701	\$27,866,769		\$27,866,769
13901	Insurance - Worker's Fund	\$4,500,000		\$4,500,000	\$4,500,000		\$4,500,000
13100	Lieutenant Governor's Office	\$690,697		\$690,697	\$690,697		\$690,697
18210	Office of Administrative Hearings	\$2,976,210		\$2,976,210	\$2,967,712		\$2,967,712
14700	Revenue						
	Examination and Collection		\$3,664,145			\$3,664,145	
	Subtotal	\$79,153,299	\$3,664,145	\$82,817,444	\$79,296,299	\$3,664,145	\$82,960,444
13200	Secretary of State	\$8,568,943		\$8,568,943	\$8,549,857		\$8,549,857
18025	State Board of Elections	\$4,957,543		\$4,957,543	\$4,959,307		\$4,959,307
13005	State Budget and Management (OSBM)						
	Computer Equipment		(\$10,000)			(\$10,000)	
	Subtotal	\$4,914,371	(\$10,000)	\$4,904,371	\$4,918,931	(\$10,000)	\$4,908,931
13085	OSBM - Special Appropriations	\$3,180,000		\$3,180,000	\$3,180,000		\$3,180,000
14160	Office of State Controller	\$9,960,527		\$9,960,527	\$9,966,970		\$9,966,970
13410	State Treasurer	\$8,222,117		\$8,222,117	\$8,228,365		\$8,228,365
13412	State Treasurer - Retirement / Benefits	\$8,146,179		\$8,146,179	\$8,146,179		\$8,146,179
	<b>Total General Government</b>	<b>\$349,964,325</b>	<b>\$4,534,145</b>	<b>\$354,498,470</b>	<b>\$353,157,302</b>	<b>\$4,534,145</b>	<b>\$357,691,447</b>
<b>Transportation:</b>							
14222	Transportation	\$12,027,377		\$12,027,377			
84210	Highway Fund						
	Death Benefit Plan		\$589,000			\$589,000	
	Subtotal	\$1,398,569,973	\$589,000	\$1,399,158,973	\$1,401,351,921	\$589,000	\$1,401,940,921
	Transportation-General Fund	\$12,027,377		\$12,027,377	\$12,945,066		\$12,945,066
	Transportation-Highway Fund	\$1,398,569,973	\$589,000	\$1,399,158,973	\$1,401,351,921	\$589,000	\$1,401,940,921
	<b>Total General Fund Agency</b>	<b>\$15,901,269,919</b>	<b>\$114,839,091</b>	<b>\$16,016,109,010</b>	<b>\$16,419,306,893</b>	<b>\$78,526,011</b>	<b>\$16,497,832,904</b>
<b>Debt Service:</b>							
19420	General Debt Service	\$485,185,962		\$485,185,962	\$615,917,453		\$615,917,453
19425	Federal Reimbursement	\$1,616,380		\$1,616,380	\$1,616,380		\$1,616,380
	<b>Total Debt Service</b>	<b>\$486,802,342</b>		<b>\$486,802,342</b>	<b>\$617,533,833</b>		<b>\$617,533,833</b>
	<b>Total Agency plus Debt Service</b>	<b>\$16,388,072,261</b>	<b>\$114,839,091</b>	<b>\$16,502,911,352</b>	<b>\$17,036,840,726</b>	<b>\$78,526,011</b>	<b>\$17,115,366,737</b>
<b>Reserves &amp; Adjustments:</b>							
19001	Contingency and Emergency Reserve	\$5,000,000		\$5,000,000	\$5,000,000		\$5,000,000
19004	Salary Adjustment Reserve	\$9,000,000		\$9,000,000	\$9,000,000		\$9,000,000
19013	Job Development Incentive Grants	\$4,500,000		\$4,500,000	\$4,500,000		\$4,500,000
190xx	Death/Disability Benefit Plan	\$0	\$18,230,100	\$18,230,100	\$0	\$18,230,100	\$18,230,100
	<b>Total Reserves &amp; Adjustments</b>	<b>\$18,500,000</b>	<b>\$18,230,100</b>	<b>\$36,730,100</b>	<b>\$18,500,000</b>	<b>\$18,230,100</b>	<b>\$36,730,100</b>
	<b>Total General Fund Budget</b>	<b>\$16,406,572,261</b>	<b>\$133,069,191</b>	<b>\$16,539,641,452</b>	<b>\$17,055,340,726</b>	<b>\$96,756,111</b>	<b>\$17,152,096,837</b>
	<b>Total Highway Fund Budget</b>	<b>\$1,398,569,973</b>	<b>\$589,000</b>	<b>\$1,399,158,973</b>	<b>\$1,401,351,921</b>	<b>\$589,000</b>	<b>\$1,401,940,921</b>

**SUMMARY:**

**GENERAL FUND  
APPROPRIATIONS**



# Summary of General Fund Appropriations

Fiscal Year 2005-2006

2005 Legislative Session

	Adjusted Continuation Budget 2005-06	Legislative Adjustments			FTE Changes	Revised Appropriation 2005-06
		Recurring Adjustments	Nonrecurring Adjustments	Net Changes		
<b>Education:</b>						
Community Colleges	756,320,880	(6,741,165)	43,205,000	36,463,835		792,784,715
Public Education	6,585,323,929	49,154,516	52,350,000	101,504,516		6,686,828,445
University System	2,024,322,442	48,226,685	(124,924)	48,101,761	569.70	2,072,424,203
<b>Total Education</b>	<b>9,365,967,251</b>	<b>90,640,036</b>	<b>95,430,076</b>	<b>186,070,112</b>	<b>569.70</b>	<b>9,552,037,363</b>
<b>Health and Human Services:</b>						
Office of the Secretary	102,490,388	18,690,531	(7,000,000)	11,690,531	5.00	114,180,919
Aging Division	29,495,139	0	0	0		29,495,139
Blind and Deaf / Hard of Hearing Services	9,843,201	(281,404)	75,000	(206,404)		9,636,797
Child Development	267,350,017	0	(2,600,000)	(2,600,000)		264,750,017
Education Services	33,852,267	0	0	0		33,852,267
Facility Services	12,551,896	2,986,990	506,517	3,493,507	45.50	16,045,403
Medical Assistance	2,685,076,714	(173,795,435)	(50,000,000)	(223,795,435)		2,461,281,279
Mental Health	595,375,908	4,922,747	75,000	4,997,747		600,373,655
NC Health Choice	62,035,981	0	0	0		62,035,981
Public Health	135,567,174	2,854,058	1,375,000	4,229,058	2.00	139,796,232
Social Services	182,316,068	2,022,993	1,000,000	3,022,993	8.00	185,339,061
Vocational Rehabilitation	41,755,526	0	0	0		41,755,526
<b>Total Health and Human Services</b>	<b>4,157,710,279</b>	<b>(142,599,520)</b>	<b>(56,568,483)</b>	<b>(199,168,003)</b>	<b>60.50</b>	<b>3,958,542,276</b>
<b>Justice and Public Safety:</b>						
Correction	1,045,627,365	(18,802,196)	(3,631,718)	(22,433,914)	-165.00	1,023,193,451
Crime Control & Public Safety	29,861,632	3,937,574	(290,000)	3,647,574	-1.00	33,509,206
Judicial Department	341,443,618	(4,029,351)	1,500,000	(2,529,351)	-16.00	338,914,267
Judicial - Indigent Defense	96,688,190	(5,809,002)	0	(5,809,002)	-17.50	90,879,188
Justice	78,155,004	(1,338,700)	(261,104)	(1,599,804)	-5.00	76,555,200
Juvenile Justice & Delinquency Prevention	139,857,825	(4,383,322)	(300,000)	(4,683,322)	-82.00	135,174,503
<b>Total Justice and Public Safety</b>	<b>1,731,633,634</b>	<b>(30,424,997)</b>	<b>(2,982,822)</b>	<b>(33,407,819)</b>	<b>-286.50</b>	<b>1,698,225,815</b>

# Summary of General Fund Appropriations

Fiscal Year 2005-2006

2005 Legislative Session

	Adjusted Continuation Budget 2005-06	Legislative Adjustments		FTE Changes	Revised Appropriation 2005-06
		Recurring Adjustments	Nonrecurring Adjustments		
			Net Changes		
<b>Natural And Economic Resources:</b>					
Agriculture and Consumer Services	52,243,772	(2,414,659)	0	(2,414,659)	-11.00
Commerce	35,532,306	1,255,629	7,620,000	8,875,629	-3.00
Commerce - State Aid	11,222,085	0	0	0	
Environment and Natural Resources	167,189,338	(4,475,488)	8,473,551	3,998,063	-20.50
DENR - Clean Water Mgmt. Trust Fund	100,000,000	0	0	0	
Labor	14,198,496	(43,711)	0	(43,711)	-1.00
NC Biotechnology Center	9,083,395	1,500,000	1,500,000	3,000,000	
Rural Economic Development Center	4,802,607	20,000,000	0	20,000,000	
<b>Total Natural and Economic Resources</b>	<b>394,271,999</b>	<b>15,821,771</b>	<b>17,593,551</b>	<b>33,415,322</b>	<b>-35.50</b>
<b>General Government:</b>					
Administration	60,053,752	(1,512,036)	3,877,300	2,365,264	5.00
Auditor	10,850,737	0	0	0	
Cultural Resources	61,114,752	2,393,897	32,800	2,426,697	8.00
Cultural Resources - Roanoke Island	1,783,374	0	0	0	
General Assembly	43,864,588	0	(880,000)	(880,000)	
Governor	5,324,590	0	0	0	
Housing Finance Agency	4,750,945	0	1,000,000	1,000,000	
Insurance	27,831,701	243,813	12,700	256,513	3.00
Insurance - Worker's Compensation Fund	4,500,000	0	(2,000,000)	(2,000,000)	
Lieutenant Governor	690,697	62,340	1,700	64,040	1.25
Office of Administrative Hearings	2,976,210	2,000	9,200	11,200	
Revenue	82,817,444	(5,125,420)	546,871	(4,578,549)	-83.00
Secretary of State	8,568,943	89,000	0	89,000	
State Board of Elections	4,957,543	110,000	0	110,000	1.00
State Budget and Management	4,904,371	112,864	2,500	115,364	2.00
State Budget and Management -- Special	3,180,000	1,000,000	250,000	1,250,000	
State Controller	9,960,527	77,541	5,200	82,741	1.00
Treasurer - Operations	8,222,117	67,478	401,000	468,478	1.00
Treasurer - Retirement / Benefits	8,146,179	405,278	0	405,278	
<b>Total General Government</b>	<b>354,498,470</b>	<b>(2,073,245)</b>	<b>3,259,271</b>	<b>1,186,026</b>	<b>-60.75</b>
					<b>355,684,496</b>

Summary of General Fund Appropriations						
Fiscal Year 2005-2006						
2005 Legislative Session						
	Adjusted Continuation Budget 2005-06	Recurring Adjustments	Legislative Adjustments Nonrecurring Adjustments	Net Changes	FTE Changes	Revised Appropriation 2005-06
Transportation	12,027,377	(11,284,198)	(743,179)	(12,027,377)	0.00	0
Statewide Reserves and Debt Service:						
Debt Service:						
Interest / Redemption	485,185,962	4,358,249	0	4,358,249		489,544,211
Federal Reimbursement	1,616,380	0	0	0		1,616,380
Subtotal Debt Service	486,802,342	4,358,249	0	4,358,249		491,160,591
Statewide Reserves:						
Compensation Increases		184,876,000	8,000,000	192,876,000		192,876,000
Salary Adjustment Fund: 2005-07 Biennium	4,500,000	0	0	0		4,500,000
Salary Adjustment Fund: 2004-05 Fiscal Year	4,500,000	0	0	0		4,500,000
Teachers' and State Employees' Retirement Contribution		14,617,000	0	14,617,000		14,617,000
Retirement System Payback		0	25,000,000	25,000,000		25,000,000
Death Benefit Trust	12,000,000	899,200	0	899,200		12,899,200
Disability Income Plan	6,230,100	356,400	0	356,400		6,586,500
State Health Plan	0	125,000,000	0	125,000,000		125,000,000
Contingency and Emergency Fund	5,000,000	0	0	0		5,000,000
Information Technology Rate Adjustments		(2,300,000)	0	(2,300,000)		(2,300,000)
Information Technology Fund		8,025,000	16,350,000	24,375,000		24,375,000
MH/DD/SAS Trust Fund		0	5,000,000	5,000,000		5,000,000
Health and Wellness Trust Fund		0	10,000,000	10,000,000		10,000,000
Job Development Investment Grants (JDIG)	4,500,000	3,500,000	0	3,500,000		8,000,000
Reserve for Healthy NC		0	2,000,000	2,000,000		2,000,000
Increased Fuel Costs		0	3,000,000	3,000,000		3,000,000
Subtotal Statewide Reserves	36,730,100	334,973,600	69,350,000	404,323,600		441,053,700
Total Reserves and Debt Service	523,532,442	339,331,849	69,350,000	408,681,849		932,214,291
Total General Fund for Operations	16,539,641,452	259,411,696	125,338,414	384,750,110	247.45	16,924,391,562

Summary of General Fund Appropriations									
Fiscal Year 2005-2006									
2005 Legislative Session									
	Adjusted Continuation Budget 2005-06	Recurring Adjustments	Legislative Adjustments Nonrecurring Adjustments	Legislative Adjustments Net Changes	FTE Changes	Revised Appropriation 2005-06			
<b>Capital Improvements</b>									
Water Resources Development Projects	0	0	14,760,000	14,760,000		14,760,000			
Other Capital Improvements	0	0	11,350,000	11,350,000		11,350,000			
<b>Total Capital Improvements</b>	<b>0</b>	<b>0</b>	<b>26,110,000</b>	<b>26,110,000</b>		<b>26,110,000</b>			
<b>Total General Fund Budget</b>	<b>16,539,641,452</b>	<b>259,411,696</b>	<b>151,448,414</b>	<b>410,860,110</b>	<b>247.45</b>	<b>16,950,501,562</b>			

Summary of General Fund Appropriations									
Fiscal Year 2006-2007									
2005 Legislative Session									
	Adjusted Continuation Budget 2006-07	Recurring Adjustments	Legislative Adjustments Nonrecurring Adjustments	Net Changes	FTE Changes	Revised Appropriation 2006-07			
<b>Education:</b>									
Community Colleges	753,585,522	(6,741,165)	0	(6,741,165)		746,844,357			
Public Education	6,701,093,652	34,531,700	(41,100,000)	(6,568,300)		6,694,525,352			
University System	2,052,608,147	56,966,080	0	56,966,080	569.70	2,109,574,227			
<b>Total Education</b>	<b>9,507,287,321</b>	<b>84,756,615</b>	<b>(41,100,000)</b>	<b>43,656,615</b>	<b>569.70</b>	<b>9,550,943,936</b>			
<b>Health and Human Services:</b>									
Office of the Secretary	106,490,388	31,253,657	(7,000,000)	24,253,657	7.00	130,744,045			
Aging Division	29,495,139	0	0	0		29,495,139			
Blind and Deaf / Hard of Hearing Services	9,962,624	(281,404)	0	(281,404)		9,681,220			
Child Development	267,356,799	0	0	0		267,356,799			
Education Services	34,281,895	0	0	0		34,281,895			
Facility Services	12,551,896	5,196,009	47,200	5,243,209	79.50	17,795,105			
Medical Assistance	2,994,257,177	(338,055,652)	(50,000,000)	(388,055,652)		2,606,201,525			
Mental Health	597,375,908	4,922,747	0	4,922,747		602,298,655			
NC Health Choice	62,035,981	0	0	0		62,035,981			
Public Health	137,060,438	2,854,058	1,400,000	4,254,058	2.00	141,314,496			
Social Services	185,306,068	1,667,374	0	1,667,374	8.00	186,973,442			
Vocational Rehabilitation	42,142,193	0	0	0		42,142,193			
<b>Total Health and Human Services</b>	<b>4,478,316,506</b>	<b>(292,443,211)</b>	<b>(55,552,800)</b>	<b>(347,996,011)</b>	<b>96.50</b>	<b>4,130,320,495</b>			
<b>Justice and Public Safety:</b>									
Correction	1,060,627,365	(18,802,196)	0	(18,802,196)	-165.00	1,041,825,169			
Crime Control & Public Safety	29,961,632	3,937,574	0	3,937,574	-1.00	33,899,206			
Judicial Department	345,243,618	(3,616,363)	0	(3,616,363)	-11.00	341,627,255			
Judicial - Indigent Defense	91,688,190	(5,809,002)	0	(5,809,002)	-17.50	85,879,188			
Justice	78,855,004	(1,664,248)	0	(1,664,248)	-5.00	77,190,756			
Juvenile Justice & Delinquency Prevention	140,157,825	(4,383,322)	0	(4,383,322)	-82.00	135,774,503			
<b>Total Justice and Public Safety</b>	<b>1,746,533,634</b>	<b>(30,337,557)</b>	<b>0</b>	<b>(30,337,557)</b>	<b>-281.50</b>	<b>1,716,196,077</b>			

Summary of General Fund Appropriations							
Fiscal Year 2006-2007							
2005 Legislative Session							
	Adjusted Continuation Budget 2006-07	Recurring Adjustments	Legislative Adjustments Nonrecurring Adjustments	Net Changes	FTE Changes	Revised Appropriation 2006-07	
<b>Natural And Economic Resources:</b>							
Agriculture and Consumer Services	51,965,810	(2,508,909)	0	(2,508,909)	-11.00	49,456,901	
Commerce	35,583,572	1,175,629	0	1,175,629	-3.00	36,759,201	
Commerce - State Aid	11,222,085	0	0	0		11,222,085	
Environment and Natural Resources	168,187,593	(4,475,488)	0	(4,475,488)	-20.50	163,712,105	
DENR - Clean Water Mgmt. Trust Fund	100,000,000	0	0	0		100,000,000	
Labor	14,213,868	(44,357)	0	(44,357)	-1.00	14,169,511	
NC Biotechnology Center	9,083,395	1,500,000	0	1,500,000		10,583,395	
Rural Economic Development Center	4,802,607	20,000,000	0	20,000,000		24,802,607	
<b>Total Natural and Economic Resources</b>	<b>395,058,930</b>	<b>15,646,875</b>	<b>0</b>	<b>15,646,875</b>	<b>-35.50</b>	<b>410,705,805</b>	
<b>General Government:</b>							
Administration	61,483,537	(2,700,309)	0	(2,700,309)	5.00	58,783,228	
Auditor	10,840,918	0	0	0		10,840,918	
Cultural Resources	59,597,482	2,353,100	0	2,353,100	8.00	61,950,582	
Cultural Resources - Roanoke Island	1,783,374	0	0	0		1,783,374	
General Assembly	46,965,432	0	0	0		46,965,432	
Governor	5,344,528	0	0	0		5,344,528	
Housing Finance Agency	4,750,945	0	0	0		4,750,945	
Insurance	27,866,769	243,813	0	243,813	3.00	28,110,582	
Insurance - Worker's Compensation Fund	4,500,000	0	0	0		4,500,000	
Lieutenant Governor	690,697	62,340	0	62,340	1.25	753,037	
Office of Administrative Hearings	2,967,712	2,000	0	2,000		2,969,712	
Revenue	82,960,444	(5,101,669)	0	(5,101,669)	-83.00	77,858,775	
Secretary of State	8,549,857	89,000	0	89,000		8,638,857	
State Board of Elections	4,959,307	110,000	0	110,000	1.00	5,069,307	
State Budget and Management	4,908,931	112,864	0	112,864	2.00	5,021,795	
State Budget and Management - Special	3,180,000	1,000,000	0	1,000,000		4,180,000	
State Controller	9,966,970	77,541	0	77,541	1.00	10,044,511	
Treasurer - Operations	8,228,365	67,478	0	67,478	1.00	8,295,843	
Treasurer - Retirement / Benefits	8,146,179	405,278	0	405,278		8,551,457	
<b>Total General Government</b>	<b>357,691,447</b>	<b>(3,278,564)</b>	<b>0</b>	<b>(3,278,564)</b>	<b>-60.75</b>	<b>354,412,883</b>	

# Summary of General Fund Appropriations

Fiscal Year 2006-2007

2005 Legislative Session

	Adjusted Continuation Budget 2006-07	Legislative Adjustments			FTE Changes	Revised Appropriation 2006-07
		Recurring Adjustments	Nonrecurring Adjustments	Net Changes		
<b>Transportation</b>	12,945,066	(12,945,066)	0	(12,945,066)	0.00	0
<b>Statewide Reserves and Debt Service:</b>						
<b>Debt Service:</b>						
Interest / Redemption	615,917,453	3,373,687	0	3,373,687		619,291,140
Federal Reimbursement	1,616,380	0	0	0		1,616,380
<b>Subtotal Debt Service</b>	<b>617,533,833</b>	<b>3,373,687</b>	<b>0</b>	<b>3,373,687</b>	<b>0.00</b>	<b>620,907,520</b>
<b>Statewide Reserves:</b>						
Compensation Increases		491,376,000	8,500,000	499,876,000		499,876,000
Salary Adjustment Fund: 2005-07 Biennium	4,500,000			0		4,500,000
Salary Adjustment Fund: 2004-05 Fiscal Year	4,500,000	0	0	0		4,500,000
Teachers' and State Employees' Retirement Contribution		14,617,000	0	14,617,000		14,617,000
Retirement System Payback		0	0	0		0
Death Benefit Trust	12,000,000	899,200	0	899,200		12,899,200
Disability Income Plan	6,230,100	356,400	0	356,400		6,586,500
State Health Plan		167,000,000	0	167,000,000		167,000,000
Contingency and Emergency Fund	5,000,000	0	0	0		5,000,000
Information Technology Rate Adjustments		(2,300,000)	0	(2,300,000)		(2,300,000)
Information Technology Fund		8,025,000	0	8,025,000		8,025,000
MH/DD/SAS Trust Fund		0	0	0		0
Health and Wellness Trust Fund		0	0	0		0
Job Development Investment Grants (JDIG)	4,500,000	7,900,000	0	7,900,000		12,400,000
Reserve for Healthy NC		0	0	0		0
Increased Fuel Costs		0	0	0		0
<b>Subtotal Statewide Reserves</b>	<b>36,730,100</b>	<b>687,873,600</b>	<b>8,500,000</b>	<b>696,373,600</b>		<b>733,103,700</b>
<b>Total Reserves and Debt Service</b>	<b>654,263,933</b>	<b>691,247,287</b>	<b>8,500,000</b>	<b>699,747,287</b>		<b>1,354,011,220</b>
<b>Total General Fund for Operations</b>	<b>17,152,096,837</b>	<b>452,646,379</b>	<b>(88,152,800)</b>	<b>364,493,579</b>		<b>17,516,590,416</b>

Summary of General Fund Appropriations							
Fiscal Year 2006-2007							
2005 Legislative Session							
	Adjusted Continuation Budget 2006-07	Recurring Adjustments	Legislative Adjustments Nonrecurring Adjustments	Net Changes	FTE Changes	Revised Appropriation 2006-07	
<b>Capital Improvements</b>							
Water Resources Development Projects	0	0	0	0			
Other Capital Improvements	0	0	0	0			0
<b>Total Capital Improvements</b>	0	0	0	0			0
<b>Total General Fund Budget</b>	<b>17,152,096,837</b>	<b>452,646,379</b>	<b>(88,152,800)</b>	<b>364,493,579</b>	<b>288.45</b>	<b>17,516,590,416</b>	



**EDUCATION**  
**Section F**

## Public Education

## GENERAL FUND

	FY 05-06	FY 06-07
<b>Adjusted Continuation Budget</b>	<b>\$6,585,323,929</b>	<b>\$6,701,093,652</b>

## Legislative Changes

## A. Updated Projections

**1 Average Daily Membership (ADM)**

\$9,402,812	R	\$6,660,059	R
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Revise projected increase in ADM for FY 2005-06 to reflect 2,338 more students than originally projected. Dollar amount of adjustment includes increases to all position, dollar, and categorical allotments.

Total funded ADM for FY 2005-06 is 1,397,372, an increase of 28,309.

Due to upward adjustment in ninth grade ADM, increase receipts from Highway Fund budgeted for Driver's Education by \$129,405 in 2005-06 and \$255,618 in 2006-07.

**2 Budgeted Average Salary**

(\$23,642,099)	R	(\$23,965,417)	R
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Revise budgeted funding for certified personnel salaries based on actual salary data from December 2004. Adjustment does not reduce any salary paid to certified personnel.

## B. Continuation Budget Adjustments

**3 Central Office Administration**

(\$510,023)	R	(\$510,023)	R
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Reduce dollar allotment for Central Office Administration by 0.5%. Resulting total allotment in FY 2005-06 is \$101,494,560.

**4 Teacher Assistants**

(\$57,549,042)	R	(\$57,549,042)	R
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Reduce dollar allotment for teacher assistants. Resulting total allotment in FY 2005-06 is \$337,375,675. Local education agencies (LEAs) are encouraged to use allotted funds to concentrate teacher assistants in grades K-2. LEAs may use funding allotted through the LEA Flexibility Fund (item 18) to offset these reductions.

**5 School Building Administration**

(\$5,038,433)	R	(\$5,038,433)	R
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Allot assistant principal positions on the basis of one 10-month position per 800 ADM. Resulting total allotment for assistant principals in FY 2005-06 is \$80,538,079.

**6 Textbooks**

(\$2,389,506)	R	(\$2,389,506)	R
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Allot funds for textbooks on the basis of an inflationary increase of 7.3%. Resulting total allotment in 2005-06 is \$85,996,465.

**7 Limited English Proficiency (LEP)**

(\$2,674,670)

R

(\$2,674,670)

R

Discontinue base allotment of the dollar equivalent of one teacher assistant per qualifying LEA. Supplemental funds will continue to be allotted based on: (i) qualifying ADM, and (ii) concentration of LEP students. Resulting total allotment in FY 2005-06 is \$40,980,218.

**8 School Bus Replacement**

(\$7,915,450)

R

(\$7,915,450)

R

Provide funds to meet outstanding lease purchase payment obligations, and \$10 million for new lease purchases (approximately 476 new buses). Resulting total allotment in FY 2005-06 is \$47,190,642.

**9 Department of Public Instruction (DPI)**

(\$598,666)

R

(\$598,666)

R

Reduce funds for the Department of Public Instruction by 2%.

**10 ADM Contingency Reserve**

(\$2,000,000)

R

(\$2,000,000)

R

Reduce ADM Contingency Reserve. Resulting appropriation is \$5,000,000.

**11 Fund One LEA per County**

(\$12,206,745)

R

Fund all position, dollar, and categorical allotments on the basis of one LEA per county.

**C. Reductions: Pass-Through Funds****12 ExplorNet**

(\$250,000)

R

(\$250,000)

R

Reduce pass-through funding to non-profit program. LEAs may contract for services provided by this organization using various other allotments that may be expended for professional development. Remaining recurring appropriation is \$150,000.

**13 NC Network**

(\$28,350)

R

(\$28,350)

R

Reduce pass-through funding to non-profit program by 10%. LEAs may contract for services provided by this organization using various other allotments that may be expended for professional development.

**14 Partnership for Excellence**

(\$50,000)

R

(\$50,000)

R

Eliminate pass-through funding to non-profit program. LEAs may contract for services provided by this organization using various other allotments that may be expended for professional development.

**D. Increased Receipts****15 Corporate Income Tax**

(\$50,000,000)

NR

(\$41,100,000)

NR

Redirect corporate income tax receipts that would otherwise be deposited in the Public School Building Capital & Technology Fund, per rewritten G.S. 115C-546.1(b), to the State Public School Fund to support public school operations. Estimated resulting revenue to Capital & Technology Fund in FY 2005-06 is \$25 million.

**16 Increase School Building Capital & Technology Fund**

Transfer \$70 million in receipts from the Lottery Fund to the School Building Capital & Technology Fund to support local school capital and technology infrastructure projects.

**E. Expansion: State Public School Fund****17 Restore Funding and Eliminate Negative Reserve**

\$44,291,248	R	\$44,291,248	R
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Restore the recurring negative reserve ("LEA Discretionary Reduction") that exists in the continuation budget.

**18 LEA Flexibility Fund**

\$47,300,000	R	\$47,300,000	R
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Allot discretionary funds to LEAs on the basis of ADM to enhance LEAs' ability to provide all of their students with the opportunity for high academic achievement. LEAs may use this allotment for any purpose allowable under the State Board of Education's chart of accounts.

LEAs are encouraged to fund additional instructional positions, such as teachers and teacher assistants; instructional support, such as nurses, counselors, and social workers; and school building administration, such as assistant principals. LEAs may use these funds to offset reductions appearing elsewhere in this budget document.

**19 Disadvantaged Student Supplemental Funding (DSSF)**

\$47,500,000	R	\$47,500,000	R
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Continue funding at levels allotted in FY 2004-05 for the sixteen pilot LEAs that have previously received DSSF allotments. Allot remaining funds to all other LEAs per the DSSF Allotment Formula developed by the State Board of Education. LEAs are encouraged to use funds to reduce class size and/or hire additional instructional support personnel, such as counselors, social workers, and nurses.

**20 Evaluate Effectiveness of DSSF and Low Wealth Initiatives**

\$1,000,000	NR		
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Provide funds for evaluation of both (i) the extent to which LEAs use DSSF and Low Wealth supplemental allotments to improve outcomes for students at-risk of school failure, and (ii) the extent to which DPI supports the LEAs in using DSSF and other supplemental allotments efficiently and effectively.

**21 ABC Bonuses**

\$100,000,000	NR		
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Fund ABC bonuses for schools that met or exceeded expected growth in the 2004-05 school year.

**22 Learn and Earn Initiative**

\$1,541,695	R	\$1,541,695	R
\$450,000	NR		

Expand the Learn and Earn High School Workforce Development Initiative into an additional five high schools (bringing the total to ten). Provide planning grants to ten additional high schools.

**23 Virtual High School**

\$150,000	R	\$150,000	R
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Provide funds to the State Board of Education for establishment and implementation of a pilot virtual high school during the 2005-2006 school year.

**24 Online Professional Development Resource Center for Teachers and Principals**

Provide funds to the State Board of Education for the establishment of a web portal that catalogues high-quality professional development opportunities for teachers and principals.

\$100,000 NR

**F. Expansion: Pass-Through Funds****25 Teaching Fellows Scholarships**

Fund 100 additional Teaching Fellows Scholarships.

\$650,000 R \$1,300,000 R

**26 Communities in Schools**

Provide additional pass-through funding to non-profit program.

\$500,000 NR

**27 A+ Schools**

Provide funding to support non-profit program that assists schools in implementing comprehensive school reform by integrating arts into the curriculum.

\$100,000 R \$100,000 R

**28 Center for 21st Century Skills**

Provide funds to the State Board of Education for establishment of the Center for 21st Century Skills. The State Board will transfer funds to the Office of the Governor for this purpose.

\$250,000 R \$250,000 R

**29 Teacher Working Conditions Survey**

Provide funds to the State Board of Education for the administration of the Governor's Teacher Working Conditions Survey.

\$115,000 R \$115,000 R

**30 SAS in Schools**

Fund Statewide license for SAS in Schools, an instructional resource that will be made available to all NC teachers on-line through NC WISEOWL.

\$500,000 R \$500,000 R

**31 Regional Education Networks**

Provide funds to the North Carolina Rural Economic Development Center and the e-NC Authority for a feasibility study on developing regional education networks that are centrally managed to provide and sustain broadband connectivity to individual students and teachers in schools, community colleges, and universities. In conducting the study, the Rural Economic Development Center and e-NC Authority shall collaborate with representatives from local school administrative units, The University of North Carolina, the State Board of Education, the State Chief Information Officer, and the Community College System.

\$100,000 NR

**32 Commission for a Sound Basic Education**

Provide funding to the General Assembly to support the Commission for a Sound Basic Education.

\$200,000 NR

**G. Expansion: Department of Public Instruction****33 Receipt Supported Positions**

Create the following permanent receipt supported positions in the Department of Public Instruction:

**A. Healthy Schools - Federal HIV and Abstinence Education Funds**

3 Education Consultants - \$249,056

1 Program Assistant V - \$42,648

Consultants will assist schools in providing health education for HIV and other health issues for school-age populations. Program Assistant will provide clerical and program support for the staff.

**B. Safe Schools - Federal 21st Century Community Learning Centers and Safe and Drug Free Schools Funds**

3 Education Consultants - \$249,056

1 Program Assistant IV - \$39,558

One Consultant will provide technical assistance to schools and LEAs on middle and high school counseling issues. Two Consultants will provide technical assistance to and monitor the 190 centers providing after school programs to at-risk students. Program Assistant will provide clerical and program support for the staff.

**C. Child Nutrition - Federal Child Nutrition Funds**

2 School Meals Program Consultants - \$133,480

One Consultant will assist local education agencies in ensuring that all compliance requirements for federal child nutrition programs are met. The other Consultant will coordinate the implementation and oversight of US Department of Agriculture's Seamless Summer Food Service program, Summer Milk program, Fruit and Vegetable Program, USDA Best Practice program, and the Healthier US program.

**D. LEA Plant Operations - Plant Operation Maintenance Receipts**

Facility Electrical Engineer II - \$90,755

Engineering Technician II - \$49,713

Positions will assist LEA customers with engineering projects which includes designing, installing and assisting with electrical, mechanical, HVAC and plumbing projects.

**E. Evaluation and Compliance - Federal Title 1 Funds and Indirect Cost Receipts**

Program Assistant V - \$42,648

Personnel Analyst II - \$66,740

Program Assistant V will provide clerical and program support to the Senior Research Director and the Education Program Administrator for evaluation, research and federal programs. Personnel Analyst II will train agency management and employees with respect to employee relations, the performance management system, and equal employment opportunity policies.

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<b>Total Legislative Changes</b>	\$49,154,516	R	\$34,531,700	R
	\$52,350,000	NR	(\$41,100,000)	NR
<b>Total Position Changes</b>				
<b>Revised Budget</b>	\$6,686,828,445		\$6,694,525,352	

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## UNC System

## GENERAL FUND

	FY 05-06	FY 06-07
<b>Adjusted Continuation Budget</b>	<b>\$2,024,322,442</b>	<b>\$2,052,608,147</b>

## Legislative Changes

## A. Reductions

<b>34 Management Flexibility Reduction for Certain UNC Campuses and Programs</b>	(\$452,750)	R	(\$452,750)	R
Reduces the budgets for the NC School for the Arts, UNC-CH AHEC, NC School of Science and Math, and the Center for Public Television by .5%.				
<b>35 Management Flexibility Reduction for UNC Campuses and Programs</b>	(\$17,486,587)	R	(\$17,486,587)	R
Reduces the UNC budget for campuses and other programs by 1%, except for those programs identified for a .5% reduction. This reduction excludes Related Educational Programs (Legislative Tuition Grants, State Contractual Scholarship Program, etc.), the Hunt Institute, and the following K-12 programs : Model Teacher Education Consortium, NC Education Research Council, NC Teach, NC Teacher Academy, Principals Executive Program, Principal Fellows Program, Math and Science Education Network, and the NC Center for the Advancement of Teaching.				
<b>36 Inflationary Adjustments and Equipment Replacement</b>	(\$13,561,121)	R	(\$15,700,288)	R
Eliminates the inflationary adjustments and equipment replacement allowed by OSBM in the base budget. Remaining in the budget are adjustments to personal services, aid/grants, reserves, and receipts.				
<b>37 Summer School</b>	(\$3,658,515)	R	(\$3,658,515)	R
Eliminates General Fund subsidy of Summer School.				
<b>38 Building Reserves - Minimum Hiring Rate</b>	(\$1,428,329)	R	(\$3,005,385)	R
Reduces the starting salary from the midpoint to the minimum of the pay range for positions related to the operation of new buildings opening during the fiscal year.				
<b>39 Building Reserves - Completion Dates</b>	(\$2,189,924)	NR		
Adjusts the estimated completion dates for construction projects for information made available in March 2005. A delay in project completion results in a reduction in the number of months needed to staff and operate the new or renovated buildings.				



**40 SREB Contractual Spaces**

(\$169,600) R

(\$169,600) R

Eliminates funding for 16 vacant contracted spaces in optometry, dentistry and medical schools negotiated through the Southern Regional Educational Board.(7 dental, 7 medicine, and 68 optometry slots are currently filled with NC residents.)

**41 Need-Based Financial Aid**

(\$23,975,714) R

(\$23,975,714) R

Continues funding the Need Based Financial Aid program from the Escheats Fund.

**42 Private Medical School Aid**

(\$636,000) R

(\$636,000) R

Eliminates \$305,788 from the base budget and a \$330,212 projected increase for 05-06 based on data from the State Education Assistance Authority. The \$1.7 million remaining in the base budget will handle the growth in the number of NC residents attending Wake Forest University and Duke University medical schools.

**43 Medical Scholarships**

(\$768,299) R

(\$768,299) R

Reduces the base budget by \$154,664 and eliminates a \$613,635 projected increase because recent data from the State Education Assistance Authority shows that \$1.56 million is sufficient to handle growth in the number of NC residents attending medical schools at ECU, UNC, WFU and Duke.

**44 State Contractual Scholarship Program**

(\$545,800) R

(\$545,800)

Adjusts the program budget to actual needs. Allows for 2.43% growth in enrollment of NC residents in the state's private colleges and universities and funds the enrollment of 575 NC residents at Johnson and Wales University. Continues the \$1,100 per student grant to the colleges.

**45 Model Teaching Education Consortium**

(\$1,000,000) R

(\$1,000,000) R

Reduces funding for this program.

**46 Juvenile Justice Institute**

(\$250,000) R

(\$250,000) R

Reduces the appropriation to this institute at NCCU from \$500,000 to \$250,000.

**47 Legislators' Schools for Youth Leadership Development**

(\$498,975) R

(\$498,975) R

Abolishes the summer youth programs based at ECU and WCU.

-5.00

-5.00

**48 Non-credit and Receipt Supported Instruction**

(\$684,532) R

(\$684,532) R

Eliminates General Fund subsidy of non-credit and receipt supported instruction on all campuses.

**B. Expansion****49 Enrollment Growth for UNC Campuses**

\$72,753,678 R \$72,753,678 R

Funds the following enrollment growth in student FTE: 3,703.2 undergraduate and 283.5 graduate regular term students and 1,518.2 undergraduate and 1,416.9 graduate distance education students. The 6,921.8 added students is a 3.65% increase over the Fall 2004 enrollment of 189,615.

534.70

534.70

**50 Enrollment Growth for NC School of Science and Math**

\$200,000 R \$200,000 R

Increases the enrollment at the NC School of Science and Math by 10 students.

3.00

3.00

**51 UNCW / ASU Equity Funding**

\$8,398,101 R \$8,398,101 R

Increases appropriations to UNCW and ASU so that the appropriation per FTE (full time equivalent) student is 1 standard deviation from the mean for all UNC System campuses. The current appropriation per FTE student is \$8,545 for the UNC System, while the approp./FTE for UNCW is \$6,339 (-1.46 STD) and for ASU is \$6,933 (-1.07 STD).

**52 UNCC Transition to Doctoral / Research Intensive Status**

\$5,000,000 R \$10,000,000 R

Provides funding for additional faculty, library resources, and technology infrastructure needed to implement approved doctoral programs. UNCC achieved Doctoral/Research Intensive status in 2000, but has not received the operating funds commensurate with this elevated academic status.

**53 Legislative Tuition Grants for Private College Students**

\$1,395,488 R \$1,395,488 R

Funds a 2.43% increase in enrollment growth in NC residents attending private colleges and universities in the state (to 32,570). Accommodates the enrollment at Johnson & Wales University and students no longer funded by Fort Bragg. Continues the LTG rate at \$1,800 per student.

**54 Need-Based Financial Aid**

Funds the expansion in the Need-based scholarship program from the Escheats Fund. \$8,674,000 is needed due to enrollment growth and \$3,200,000 is needed due to the student loss of Pell Grant funds from a formula change. The Escheats Fund will also continue to pay \$1.1 million for the Health Science and Math Loan Program.

**55 Millennium Teacher Scholarship Loan Program**

Funds \$390,000 for the second class of 60 teaching scholars at ECSU, FSU, and WSSU. This was inadvertently left out of the base budget. This program is funded from the Escheats Fund.

**56 UNC-NCCCS 2+2 E-Learning Initiative**

\$1,000,000 NR

Provides funding for developing 2+2 distance education programs, for professional development for 2+2 faculty, for technology development and purchases, and for tracking students' progress between NCCCS and UNC. The Community College budget includes an additional \$1 million to support the community college side of this initiative.

**57 UNC-NCCCS Joint Initiative for Teacher Education and Recruitment**

\$640,000 R

\$640,000 R

Creates 8 UNC positions to be based in the Regional Alternative Licensure Centers to support the expansion of the 2+2 Partnership Programs between UNC and NCCCS constituent institutions, to offer admissions advice to community college students seeking to transfer to a four year teacher education program, to work with prospective teachers to resolve curriculum issues between UNC and community colleges, and to recruit prospective teachers on community college campuses.

8.00

8.00

**58 CFNC Teacher Recruitment and Marketing Online Module**

\$25,000 R

\$25,000 R

Funds a teacher recruitment module on the College Foundation of North Carolina (CFNC) website. The module would provide future teachers with a single source for information concerning education and licensing requirements; grants, scholarships, and loans; and on-line applications for admissions and financial aid.

**59 Biotechnology Initiatives**

\$4,941,079 R

\$4,941,079 R

Appropriates \$2 million to the Biomanufacturing Research Institute and Technology Enterprise (BRITE) at North Carolina Central University and \$2.94 million to the Biomanufacturing Training and Education Center (BTEC) at North Carolina State University. Part of the funds are for scientific equipment and supplies needed for startup that were not funded by the construction grant from the Golden LEAF foundation. Funds will also be used to begin hiring administrative and research personnel.

**60 UNC TV Closed Captioning**

\$483,978 R

\$483,978 R

Enables the UNC Center for Public Television to meet a Federal Communication Commission mandate to provide closed captioning on 100% of its content by January 1, 2006. UNC TV must comply with the FCC requirements in order to retain its broadcast license.

**61 William and Ida Friday Institute for Educational Innovation**

\$2,500,000 R

\$2,500,000 R

Provides a reserve for staff, operations, and maintenance costs of the new facility constructed on North Carolina State's Centennial Campus adjacent to Wake County's Centennial Campus Middle School.

**62 Teacher Scholarship for Math and Science**

\$650,000 R

\$1,300,000 R

Creates the Future Teachers of North Carolina Scholarship Fund. This fund will award 100 scholarship loans each year to juniors and seniors in North Carolina public and private colleges that agree to become certified to teach math, science, special education, or English as a Second Language in North Carolina public schools. The loan is \$6,500 per year and is not repaid if the recipient teaches for three years in the state.

**63 NC School of Science and Math University Tuition**

\$585,565 R

\$1,523,183 R

Funds the continued costs of the UNC tuition grant to graduates of the School of Science and Math that began in FY 2004-05. The base budget inadvertently left out funding for future graduates.

**64 North Carolina in the World Project**

\$200,000 NR

Makes a grant to the Center for International Understanding for the project "North Carolina in the World: A Plan to Increase Student Knowledge and Skills about the World".

**65 Manufacturing Extension Partnership**

\$150,000 NR

Increases state funding to this program within the Industrial Extension Service that assists small manufacturers to become more globally competitive.

**66 NC A & T State University Matching Funds**

\$1,089,000 R

\$1,089,000 R

Increases the campus match of federal funds from 80% to 90% for agricultural research and extension programs as mandated by the Agricultural Research, Extension, and Education Reform Act of 1998. The funds are appropriated to the School of Agriculture and Environmental Science.

**67 North Carolina Space Grant Consortium**

\$200,000 R

\$200,000 R

Provides funds to expand the program beyond the current participating universities. The program attempts to attract students to science and engineering degrees by providing undergraduate scholarships, graduate fellowships, research seed grants, and community outreach.

**68 Focused Growth Campus Funds**

\$2,500,000 R

\$2,500,000 R

Provides additional funds to be evenly divided among the seven focused growth institutions (ECSU, FSU, NCA&T, NCCU, UNC-P, WCU, WSSU).

**69 Initiatives to Close the Achievement Gap**

\$300,000 R

\$300,000 R

Appropriates funds to the Board of Governors to continue to support the operations and work of the North Carolina Historically Minority Colleges and Universities Consortium. The Consortium will determine the best practices and methodologies for closing the achievement gap among children of various demographic groups who are performing below grade level.

**70 Center for Craft, Creativity and Design**

\$200,000 R

\$200,000 R

Provides operating funds for this center located on UNC-A's Kellogg Center property in Henderson County. A private foundation has made a proposal to establish a permanent endowment to fund graduate scholarships contingent upon the Center obtaining state operating funds.

2.50

2.50

**FY 05-06****FY 06-07****71 North Carolina Center on the Advancement of Teaching**

\$3,046,018 R

\$3,014,018 R

Increases NCCAT's capacity to provide National Board for Professional Teaching Standards candidate preparation seminars for the 1,200 teachers now on the waiting list. Provides operating funds for new Ocracoke campus that will increase NCCAT's service to teachers by 40% and make its professional development services more accessible to Eastern North Carolina.

26.50

26.50

**72 ECU Brody School of Medicine - Medicare Receipts**

\$1,000,000 R

\$1,000,000 R

Repeals Medicare reimbursement to General Fund for cost of training physicians (faculty salaries and benefits). Deletion of the receipt in code 16066-0697 results in an increase in the ECU Health Affairs budget.

**73 Judicial College**

\$250,000 R

\$250,000 R

Establishes a Judicial College within the UNC-Chapel Hill School of Government to provide training and continuing education for the state's 400 judges.

**74 Renaissance Computing Institute**

\$5,900,000 R

\$11,800,000 R

Provides funds for the establishment of the Renaissance Computing Institute at UNC-Chapel Hill.

**75 Western Carolina University Fire Protection**

\$715,000 NR

Provides funds to UNC Board of Governors for a grant-in-aid to the Cullowhee Volunteer Fire Department to purchase a 95 foot platform truck and equipment needed to provide fire protection services to high-rise facilities on the Western Carolina University campus.

**76 Hunt Institute**

\$1,000,000 R

\$1,000,000 R

Funds operating expenses for the James B. Hunt, Jr Institute for Educational Leadership and Policy in Chapel Hill. The Institute's mission is to "engage governors and other leaders in strategic efforts to advance and sustain state-level education reform".

**77 Program on Southern Politics, Media and Public Life**

\$285,000 R

\$285,000 R

Provides operating support to this policy research program at UNC-Chapel Hill. This research group will provide the General Assembly with reports on demographic, social, economic, and environmental trends.

**Total Legislative Changes**

\$48,226,685 R

\$56,966,080 R

(\$124,924) NR

**Total Position Changes**

569.70

569.70

**Revised Budget**

\$2,072,424,203

\$2,109,574,227

## Community Colleges

## GENERAL FUND

	FY 05-06		FY 06-07
<b>Adjusted Continuation Budget</b>	<b>\$756,320,880</b>		<b>\$753,585,522</b>

## Legislative Changes

## A. Categorical and Miscellaneous Programs

<b>78 Community Service Block Grant</b>	(\$118,511)	R	(\$118,511)	R
Reduces the Community Service Block Grant by 10% (from \$1,185,114) to \$1,066,603).				
<b>79 Compensatory Education</b>	(\$109,736)	R	(\$109,736)	R
Reduces the appropriation for Compensatory Education by 10% (from \$1,097,364 to \$987,628). Colleges earn FTE for students enrolled in the Compensatory Education program.				
<b>80 Off-Campus Center Funding</b>	(\$1,400,000)	R	(\$1,400,000)	R
Eliminates the subsidy for off-campus center funding.				
<b>81 NC Center for Applied Textile Technology</b>	(\$475,000)	R	(\$475,000)	R
Reduces the appropriation for the NC Center for Applied Textile Technology based on administrative savings from the merger with Gaston College.				
<b>82 Hosiery Technology Center</b>	\$475,000	R	\$475,000	R
Increases the Hosiery Technology Center's budget to \$600,000, replacing funds lost from the Worker Training Trust Fund. These funds are being transferred from the NC Center for Applied Textile Technology (see item above).				
<b>83 Customized Industry Training</b>	\$2,000,000	R	\$2,000,000	R
Provides funding for a new workforce development program in the community college system that will allow colleges to serve companies that need training in order to stay competitive. The new program will complement training available to industry through Focused Industrial Training and New and Expanding Industry Training.				
<b>84 Small Business Centers</b>	\$1,000,000	R	\$1,000,000	R
Provides additional funding for the small business centers located at each community college.				
<b>85 UNC-NCCCS 2+2 E-Learning Initiative</b>	\$1,000,000	R	\$1,000,000	R
Provides funding to support the development of 2+2 distance education programs, professional development for 2+2 faculty, technology development and purchases, and to track students' progress between NCCCS and UNC. The university budget includes an additional \$1 million to support the university side of this initiative.				

**86 Community College Innovative Learning Fund**

Provides funding for innovative learning projects to assist colleges in meeting the needs of the changing economy. Funds will be distributed on a case by case basis as determined by the President of the Community College System and the State Board of Community Colleges. Priority will be given to projects that directly impact teacher education, allied health, economic development, or public safety. These funds may be used for planning, equipment, or technology for innovative learning centers.

\$10,000,000 NR

**87 Isothermal Lifelong Learning Center**

Provides matching funds to Isothermal Community College for the Lifelong Learning Center. Funds may be used for construction of the facility or to equip the facility.

\$2,000,000 NR

**88 Equipment**

Provides additional non-recurring funding for community college equipment. Of these funds, up to \$500,000 may be used for the design of a replacement boat for the Marine Technology Program at Cape Fear Community College.

\$10,000,000 NR

**89 NCCCS BioNetwork**

Provides funding for the NCCCS BioNetwork.

\$7,101,864 R \$7,101,864 R

**90 Advanced Manufacturing Center**

Provides funding for the construction of the Bosch & Siemens Advanced Manufacturing Center at Craven Community College.

\$3,700,000 NR

**91 Forsyth Tech Center for Emerging Technologies**

Provides funds for the construction of the Center for Emerging Technologies at Forsyth Technical Community College. The Center will house the biotechnology, nanotechnology, design, and advance information technology programs, the Small Business Center, and Corporate Training Services.

\$5,000,000 NR

**92 Southeastern Community College Facility Funds**

Provides funds to establish, acquire, and/or renovate facilities for biotechnology and other programs at Southeastern Community College.

\$3,000,000 NR

**93 Defense Technology Innovation Center**

Provides funds to the NC Electronics and Information Technologies Association (NCEITA) for the development of the Defense Technology Innovation Center, a business incubator focusing on economic development opportunities in the industries relating to homeland security and national defense.

\$2,000,000 NR

**94 Robeson Community College Workforce Development Center**

Provides funds to Robeson Community College for the construction of the Workforce Development Center. Funds may also be used for the establishment of a training facility to provide training on the construction and use of structural insulated panels (SIPs).

\$1,350,000 NR

**95 Lenoir Community College Simulated Cell Area**

Provides funds to Lenoir Community College for the fabrication of a simulated cell for use in training prison personnel in Greene County and the surrounding areas.

\$250,000 NR

**96 Bladen Community College Funds**

Provides funding for Bladen Community College for equipment and planning. These funds may also be used to supplement maintenance of plant costs once all local funding for this purpose has been expended.

\$205,000 NR

**97 Cleveland Community College Allied Health & Science Building**

Provides funds for equipment and supplies for the Allied Health and Science Building at Cleveland Community College.

\$200,000 NR

**98 Gaston College Allied Health Center**

Provides matching funds to Gaston College for construction and equipment for the Gaston College Allied Health Center.

\$4,000,000 NR

**99 COA Chowan Campus Funds**

Provides funds to continue construction of Phase I of the Chowan campus expansion. These funds may be used for construction or equipment on the Chowan campus.

\$1,000,000 NR

**100 Surry CC Viticulture Center**

Provides funding for the expansion of the Viticulture Center at Surry Community College. These funds may be used for construction or equipment.

\$500,000 NR

**B. Administrative and Instructional Formulae****101 Curriculum Instructional Formula**

Authorizes the State Board of Community Colleges to modify the curriculum instructional formula by adjusting the unit value.

(\$7,608,407) R (\$7,608,407) R

**C. System Office****102 System Office Personnel**

Provides additional funding for two accounting specialists in the Division of Business and Finance, and an administrative assistant in the Executive Division.

\$150,000 R \$150,000 R

**103 Receipt Supported Positions**

Allows for the creation of the following receipt supported positions in the Community College System Office:

A. Career Readiness Certification - Workforce Investment Act Funds through the Division of Employment & Training in the Department of Commerce

1 Education Consultant II - \$80,155.40

This position will provide leadership and policy direction to the new Career Readiness Certification System that will be implemented by NCCCS, the local colleges, and the JobLink Career Centers across the State.



**D. Enrollment, Tuition, and Financial Aid****104 Enrollment**

\$7,802,343	R	\$7,802,343	R
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Fully funds the community college enrollment increase.  
Enrollment increased by 2,449 FTE in FY 04-05, from 188,610 FTE to 191,059, a 1.30% increase.

**105 Need Based Financial Aid**

(\$10,981,202)	R	(\$10,981,202)	R
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Funds the Need Based Financial Aid program from the Escheats Fund. An additional \$3,000,000 will be appropriated from the Escheats fund - \$2 million to offset the change in Pell Grant eligibility, and \$1 million to offset an increase in tuition. The total amount available for Need Based Financial Aid will be \$13,981,202.

**106 Tuition**

(\$5,577,516)	R	(\$5,577,516)	R
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Increases community college tuition by 4%, from \$38 per credit hour to \$39.50. Full-time students will pay \$632 per semester or \$1,264 per year.

**E. Faculty Salaries****107 Increase Faculty and Professional Staff Salaries**

Funds are included in the Salary Reserve Section of this budget to provide an additional 2% increase to faculty and professional staff in the community colleges. These funds are in addition to funds provided for State Employee increases.

**Total Legislative Changes**

(\$6,741,165)	R	(\$6,741,165)	R
\$43,205,000	NR		

**Total Position Changes****Revised Budget**

\$792,784,715		\$746,844,357	
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**HEALTH  
&  
HUMAN SERVICES  
Section G**

## Health and Human Services

## GENERAL FUND

	FY 05-06	FY 06-07
<b>Adjusted Continuation Budget</b>	<b>\$4,157,710,279</b>	<b>\$4,478,316,506</b>

## Legislative Changes

## ( 1.0) Division of Medical Assistance

**1 Freeze Medicaid Rates**

(\$60,623,025) R (\$128,292,605) R

Freezes rates for SFY 2005-06 and SFY 2006-07 for most Medicaid providers at the level authorized in SFY 2004-05. The rate freeze applies to all Medicaid private and public providers with the following exceptions: federally qualified health clinics, rural health centers, state institutions, intermediate care facilities for the mentally retarded, outpatient hospital, and pharmacy. Savings to counties resulting from the rate freeze are (\$10,257,012) in SFY 2005-06 and (\$21,241,503) in SFY 2006-07.

**2 Physician and Other Medical Provider Reimbursement**

(\$9,530,550) R (\$13,401,096) R

Reduces physician reimbursement and other medical providers whose reimbursement is based on physician reimbursement from 95% of Medicare rates to 90% of Medicare rates. With this reimbursement change, NC continues to reimburse physicians at a rate higher than surrounding Southeastern states. Effective 10/1/05. Savings to counties resulting from the reimbursement reduction are (\$1,684,755) in SFY 2005-06 and (\$2,366,668) in SFY 2006-07.

**3 Pharmacy Reimbursement**

(\$1,535,438) R (\$3,810,351) R

Reduces funding for pharmacy reimbursement by reducing the payment for prescription drugs from Average Wholesale Price (AWP) minus 10% to AWP minus 11% plus the required dispensing fee. Effective October 1, 2005. Savings to counties resulting from the reimbursement change are (\$270,960) in SFY 2005-06 and (\$672,916) in SFY 2006-07.

**4 Personal Care Services**

(\$17,184,915) R (\$23,145,693) R

Reduces the funding for Personal Care Services by reducing the monthly limit to 40 hours from 60 hours for regular PCS and eliminating the PCS Plus Program. In addition, the daily limit is reduced from 3.5 hours to 3 hours per day. North Carolina and Florida are the only Southeastern states providing Personal Care Services as an independent service. Effective October 1, 2005. Savings to counties resulting from the policy change are (\$3,049,000) in SFY 2005-06 and (\$4,087,589) in SFY 2006-07.

**5 Private Duty Nursing**

(\$1,001,562) R

(\$2,173,299) R

Reduces funding by limiting private duty nursing services provided outside a community alternatives program to the cost of providing the same level of care in a nursing facility. North Carolina and Florida are the only Southeastern states providing Private Duty Nursing as an independent service. Effective 1/1/06. Savings to counties resulting from the policy change are (\$176,727) in SFY 2005-06 and (\$383,810) in SFY 2006-07.

**6 Medicaid Coverage for Aged, Blind and Disabled**

(\$53,053,599) R

(\$115,119,694) R

Adjusts Medicaid coverage for Aged, Blind, and Disabled recipients with incomes exceeding the SSI income limit to the payment of Medicare Part B premiums, Medicare deductibles, and Medicare co-insurance. Prescription drug coverage will be provided under Medicare Part D. Long-term care services will be available under the Medically Needy optional coverage group. Effective January 1, 2006. Savings to counties resulting from the policy change are (\$9,361,393) in SFY 2005-06 and (\$20,330,433) in SFY 2006-07.

**7 Safety Net Prescription Drug Coverage**

\$5,000,000 R

\$5,000,000 R

Provides funding for the establishment of a reserve in the Office of the Secretary for a safety net program to continue prescription drug coverage for individuals who may lose coverage when Medicaid coverage for the Aged, Blind, and Disabled is adjusted. The Secretary may also develop additional safety net services as allowed under federal law.

**8 Co-Payments**

(\$6,000,000) R

(\$6,000,000) R

Increases the co-payments for the following services: chiropractic, optometry, podiatry, non-emergency ER visits, inpatient hospital stays, outpatient hospital visits, and generic prescription drugs. The new co-payments will be as follows:

Chiropractic	\$ 3.00
Optical	\$ 3.00
Podiatry	\$ 3.00
Hospital Inpatient	\$50.00
Hospital Outpatient	\$ 3.00
Non-emergency ER Visit	\$ 3.00
Generic Prescription Drug	\$ 3.00

Effective October 1, 2006. Savings to counties resulting from the increase in co-payments are (\$1,058,710) in SFY 2005-06 and (\$1,058,710) in SFY 2006-07.

**9 Prescription Drug Override**

(\$2,273,186) R (\$5,669,754) R

Adjusts the policy for prescription drug overrides by limiting the number of prescription drug overrides to two prescriptions per month per person for a total of eight prescriptions per month (six prescriptions without an override plus two additional prescriptions if the individual meets the override criteria). Savings to counties resulting from the policy change are (\$410,107) in SFY 2005-06 and (\$1,001,293) in SFY 2006-07. Effective January 1, 2006.

**10 Medicare Part D Claw Back**

(\$11,000,000) R (\$22,000,000) R

Reduces funding to reflect the savings realized by the State when the Medicare Part D program begins paying for prescription drugs for dual eligibles January 1, 2006. Savings to counties resulting from the policy change are (\$1,940,968) in SFY 2005-06 and (\$3,885,256) in SFY 2006-07.

**11 Medicaid Reserve Fund**

(\$50,000,000) NR (\$50,000,000) NR

Transfers funding from the G.S. 143-23.2 reserve to support current services and reduces state appropriations.

**12 Community Care of NC Management Savings**

(\$20,000,000) R (\$30,000,000) R

Reduces funding for the Medicaid program due to increased savings resulting from the expansion of scope of the Community Care of NC Program to Aged, Blind, and Disabled Medicaid recipients that are dually eligible for Medicaid and Medicare. Savings to counties resulting from the policy change are (\$3,529,032) in SFY 2005-06 and (\$5,298,077) in SFY 2006-07.

**13 Community Care of NC Enhancement**

\$3,000,000 R \$6,000,000 R

Expands the scope of the Community Care of NC program to Medicaid recipients who are Aged, Blind, and Disabled and dually eligible for Medicaid and Medicare. The Community Care of NC program will focus on improving the management and coordination of services for the dually eligible targeting Personal Care Services, Private Duty Nursing, Home Health, Durable Medical Equipment, Ancillary Professional Services, Specialty Care, Home Infusion Therapy, Pharmacy, and Residential Long-Term Care Services. Enhancing the financing of the Community Care of North Carolina program will insure that the Community Care Management Savings reductions will occur.

**14 DOJ Medicaid Investigative Unit**

\$406,840 R \$406,840 R

Provides funding to support the required state match for the Medicaid Investigative Unit in the Department of Justice.

**15 Ticket-to Work Medicaid Expansion**

\$150,000 R

Provides funding to implement a Medicaid buy-in program for workers with disabilities. Effective July 1, 2006.

**( 3.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services**

<b>16 Institutional Receipts</b>	(\$2,550,000)	R	(\$2,550,000)	R
Reduces funding for the State institutions by budgeting over-realized receipts.				
<b>17 Central Office</b>	(\$500,000)	R	(\$500,000)	R
Continues reduction in funding for the Central Office based on historical reversions.				
<b>18 Crisis Intervention Services</b>	\$2,000,000	R	\$2,000,000	R
Provides funding for the start-up and ongoing costs of providing community based crisis services for children and adults in the mental health target population.				
<b>19 Adult Day Vocational Program</b>	\$1,500,000	R	\$1,500,000	R
Provides funding to expand long-term vocational support services through Adult Day Vocational Program services to additional clients.				
<b>20 System of Care for Child Mental Health</b>	\$2,000,000	R	\$2,000,000	R
Provides transition funding for area and county programs for the implementation and on-going support of community-based system of care child and family teams.				
<b>21 Intensive Substance Abuse Services for Children</b>	\$1,250,000	R	\$1,250,000	R
Provides funding for the delivery of substance abuse services for children through multisystemic therapy and intensive in-home services.				
<b>22 Adult Substance Abuse Services</b>	\$750,000	R	\$750,000	R
Provides funding for adult substance abuse services.				
<b>23 Division TEACCH Program</b>	\$472,747	R	\$472,747	R
Provides funding for the Division TEACCH Program at the University of NC at Chapel Hill:				
\$153,000 to support a staff person responsible for researching and developing new public funding opportunities to support research and program development;				
\$132,847 for the Raleigh TEACCH Center;				
\$149,375 TEACCH mandated faculty salary increases;				
\$17,525 for administrative staff at the Greensboro TEACCH Center; and				
\$20,000 for rent increases in diagnostic clinics.				

**24 El Futuro, Inc.**

Provides a grant-in-aid to El Futuro, Inc. to develop a pilot project to improve access to and quality of mental health, developmental disabilities, and substance abuse services currently available to the Latino population in Orange and Chatham counties.

\$75,000 NR

**( 4.0) Division of Facility Services****25 Mental Health Licensure and Inspections**

Expands the Division of Facility Services' Mental Health Licensure and Certification Section by 13 positions in the first year and an additional 10 positions in the second year. Additional staff will allow annual inspections of 24-hour residential facilities for the mentally ill, developmentally disabled, and substance abuse populations. Two additional regional offices will be created.

\$936,029 R

\$1,560,724 R

\$45,500 NR  
13.00\$12,000 NR  
23.00**26 Adult Care Licensure and Inspections**

Expands the Division of Facility Services' Adult Care Licensure Section by 14 positions in the first year and an additional 17 positions in the second year. Additional staff will allow annual inspections of adult care homes. Two additional regional offices will be created.

\$1,006,927 R

\$2,080,955 R

\$48,300 NR  
14.00\$25,000 NR  
31.00**27 Construction Inspections**

Expands the Division of Facility Services' Construction Section by 9 positions in the first year and an additional 7 positions in the second year. Additional staff will allow physical plant and life-safety inspections of adult care homes and 24-hour residential facilities for the mentally ill, developmentally disabled, and substance abuse populations every two years. Also allows for a faster initial regulatory compliance review time.

\$656,413 R

\$1,166,709 R

\$33,600 NR  
9.00\$10,200 NR  
16.00**28 Complaint Intake**

Expands the Division of Facility Services' Complaint Intake Unit by 4.5 positions. This expansion will provide the staff necessary to respond to the anticipated increase in complaint call volume as the DFS toll-free complaint number will now be posted in all residential facilities monitored by DFS. This expansion will also support a new automated call directory system.

\$169,126 R

\$169,126 R

\$373,648 NR  
4.50

4.50

**29 Home Care Agency Licensure and Inspections**

Expands the Division of Facility Services' Licensure and Certification Section by 5 positions. Additional staff will allow for inspection and monitoring of non-Medicare licensed home care agencies on the same inspection schedule as Medicare certified agencies (every 36 months).

\$218,495 R

\$218,495 R

\$5,469 NR  
5.00

5.00

**( 6.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing**

<b>30 Medical Eye Care Program</b>	(\$81,404)	R	(\$81,404)	R
Reduces funding for inflation for the biennium.				
<b>31 Receipts from Wireless and Relay Funds</b>	(\$200,000)	R	(\$200,000)	R
Reduces funding by increasing receipts from the Wireless and Relay Funds to support 29% of fourteen existing positions in the Division of Services for the Deaf and Hard of Hearing.				
<b>32 Accessible Electronic Information for Blind and Disabled Persons</b>				
Provides funding to establish an accessible electronic information service for blind and disabled persons.	\$75,000	NR		

**( 8.0) Division of Social Services**

<b>33 State/County Special Assistance</b>	(\$977,007)	R	(\$1,332,626)	R
Reduces excess funding in continuation budget.				
<b>34 Reallocation of Child Caring Institutions Funding</b>	(\$693,295)	R	(\$693,295)	R
Reallocates funding for child caring institutions to provide the necessary resources to strengthen regulatory oversight in the Division of Social Services for all foster care facilities.				
<b>35 Strengthen Regulatory Oversight for Licensure</b>	\$693,295	R	\$693,295	R
Provides funding to strengthen regulatory oversight in the Division of Social Services for all foster care facilities.	8.00		8.00	
<b>36 Food Banks</b>	\$1,000,000	R	\$1,000,000	R
Provides funding to be equally distributed to the regional network of food banks in North Carolina.				
<b>37 Multiple Response System</b>	\$2,000,000	R	\$2,000,000	R
Provides funding to hire additional child protective services workers at the local level to reduce the caseload per child protective services worker ratios throughout the State to support the expansion of the multiple response system to all counties in the State. This funding will be used to expand the Multiple Response System to counties which have not implemented the program.				
<b>38 Boys and Girls Clubs</b>	\$1,000,000	NR		
Provides funding for grants-in-aid to Boys and Girls Clubs across NC to implement programs to improve motivation, performance and self-esteem of youths and to implement other initiatives expected to reduce school dropout and teen pregnancy rates.				



**( 9.0) Division of Child Development****39 Replaces TEACH State funds with CCDF Block Grant Funds**

Replaces the TEACH Scholarship state appropriations with the Child Care Fund Development Block Grant.

(\$2,600,000) NR

**(11.0) Division of Public Health****40 Newborn Screening Laboratory Fee**

Increases the fee for the newborn lab screenings from \$10.00 to \$14.00 per initial patient specimen and reduces state appropriations.

(\$370,690) R (\$370,690) R

**41 Contract for Vaccines**

Eliminates increased funding for new combination vaccines.

(\$1,300,000) R (\$1,300,000) R

**42 Public Health Incubators**

Provides funding for public health incubators.

\$1,250,000 NR

**43 Public Health Improvements**

Provides funding for local public health departments receiving accreditation. In addition, provides funding for the accreditation board, board staff, and others involved with the accreditation process for local public health departments.

\$700,000 R \$700,000 R

**44 Interpreter Services for Local Health Departments**

Provides funding for a pilot project to provide to interpreter services for local public health departments.

\$250,000 R \$250,000 R

**45 School Nurses**

Provides funding for fifty new school nurses.

\$2,500,000 R \$2,500,000 R

**46 Vital Records Automation**

Provides funding for the automation of the vital records system in North Carolina.

\$100,000 NR \$1,400,000 NR

**47 Vital Records Improvements**

Provides funding for two positions to process vital records.

\$74,748 R \$74,748 R

2.00

2.00

**48 Arthritis**

Funds an arthritis program in Mecklenburg County.

\$25,000 NR

**49 AIDS Drug Assistance Program (ADAP)**

Provides increased funding for the AIDS Drug Assistance Program.

\$1,000,000 R \$1,000,000 R

**(12.0) Office of the Secretary****50 Prior Year Earned Revenue**

Requires the Department of Health and Human Services to budget prior year earned revenue and reduce state appropriations in the programs that received prior earned revenue.

(\$7,000,000) NR (\$7,000,000) NR

**51 Position Elimination Reserve**

Reduces funding by eliminating vacant or filled positions, reducing layers of management, and reducing related state administrative operating expenses within Central Management.

(\$500,000) R (\$500,000) R

**52 Community Health Centers**

Provides funding for grant-in-aids for Federally-qualified Health Centers, State-designated Rural Health Centers, Public Health Department Clinics, and other clinics.

\$2,000,000 R \$2,000,000 R

**53 Food Runners/Meals on Wheels Collaborative**

Provides support to a multi-county program that prepares and delivers meals for the elderly and disabled.

\$150,000 R \$150,000 R

**54 N.C. Special Olympics, Inc.**

Provides funding for a grant-in-aid for the North Carolina Special Olympics, Inc.

\$100,000 R \$100,000 R

**55 ALS Association - Jim "Catfish" Hunter Chapter**

Provides a grant-in-aid to the ALS Association - Jim "Catfish" Hunter Chapter for ALS research funding.

\$400,000 R \$400,000

**56 More At Four Program Expansion**

Provides funding for 6,400 additional slots for the biennium and an additional \$150 in funding for each slot. Also, provides funding for seven new positions.

\$16,540,531 R \$29,103,657 R

5.00

7.00

**Total Legislative Changes**

(\$142,599,520) R (\$292,443,211) R

(\$56,568,483) NR (\$55,552,800) NR

**Total Position Changes**

60.50 96.50

**Revised Budget**

\$3,958,542,276 \$4,130,320,495

**NATURAL  
&  
ECONOMIC  
RESOURCES  
Section H**

## Agriculture and Consumer Services

## GENERAL FUND

	FY 05-06		FY 06-07
<b>Adjusted Continuation Budget</b>	<b>\$52,243,772</b>		<b>\$51,965,810</b>

## Legislative Changes

## Administration

<b>1 Reduce Funds for Purchased Services</b>	(\$443,080)	R	(\$443,080)	R
Reduce funds department-wide for purchased services based on historical reversions.				
<b>2 Reduce Funds for Supplies</b>	(\$242,440)	R	(\$242,440)	R
Reduce funds for supplies department-wide based on historical reversions.				
<b>3 Reduce Funds for Equipment</b>	(\$173,480)	R	(\$173,480)	R
Reduce funds for property, plant and equipment department-wide based on historical reversions.				
<b>4 Reduce Inflationary Increases</b>	(\$202,701)	R	(\$202,701)	R
Reduce increases in the continuation budget for workers compensation, longevity and other expenses.				

## Agronomic Services

<b>5 Replace General Funds with Receipts</b>	(\$88,600)	R	(\$88,600)	R
Replace General Funds for operations with revenue generated by increasing fees for Agronomic Sampling services as follows:				
Increase fees for routine nematode samples from \$2.00 to \$3.00 generating \$25,000 in additional revenue.				
Increase fees for routine waste samples from \$4.00 to \$5.00 generating \$20,000 in additional revenue.				
Increase research fees for soil and nematode samples from \$2.00 to \$12.00 generating \$10,000 in additional revenue.				
Increase research fees for plant, waste and solution samples from \$4.00 to \$12.00 generating \$33,600 in additional revenue.				
<b>6 Replace General Funds with Receipts</b>	(\$74,300)	R	(\$74,300)	R
Replace General Funds for operations with revenue generated by implementing new fees for Agronomic Sampling services.				
Establish a \$14.00 fee for out-of-state nematode samples; \$26.00 fee for out-of-state plant, waste and solution samples; and a various fees for other out-of-state services.				

**Commercial Feed and Pet Food****7 Replace General Funds with Receipts**

(\$60,200) R

(\$60,200) R

Increase registration fees for non-canned pet food registration as follows:

Increase existing registration fees from \$3.00 to \$5.00;  
Increase existing registration fees from \$30.00 to \$40.00; and  
Increase existing registration fees from \$33.00 to \$45.00.

Increases the registration fee for canned pet food from \$10.00 to \$12.00.

**Food and Drug****8 Eliminate Vacant Position**

(\$39,983) R

(\$39,983) R

Eliminate one Agriculture Microbiologist I position that has been vacant since 7/15/04.

-1.00

-1.00

**Marketing****9 Reduce Funds for Farmer's Markets**

(\$90,537) R

(\$90,537) R

Reduce the appropriation for farmer's markets by 10%.

**10 Close Farmer's Market**

(\$282,750) R

(\$377,000) R

Close the Southeast Agriculture Center.

-7.00

-7.00

**11 Fund-Shift One Position**

(\$35,685) R

(\$35,685) R

Fund shift one position with the Cooperative Inspection Service to receipts.

-1.00

-1.00

**Pesticide Section****12 Pesticide Disposal Program**

(\$222,407) R

(\$222,407) R

Replace General Funds with funds from the Environmental Trust Fund for the pesticide disposal program.

-1.00

-1.00

**Seed Testing****13 Replace General Funds with Receipts**

(\$124,587) R

(\$124,587) R

Increase seed inspection fees from \$.02 to \$.04 per 10 lb container.

**State Fair****14 Establish Receipt-Supported Positions**

Establish twenty (20) receipt-supported general utility workers and eight (8) building custodians at the North Carolina State Fair.

General Utility Workers	20.0	\$522,500
Building Custodians	8.0	\$170,080

**Structural Pest Control****15 Adjust Budgeted Receipts**

(\$18,000)	R	(\$18,000)	R
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Reduce General Funds based on an increase in receipts.

**Veterinary Services****16 Replace General Funds with Receipts**

(\$152,315)	R	(\$152,315)	R
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Increase histopath fee from \$15.00 to \$30.00 generating \$113,233 in additional revenue. Increases EIA fee from \$4.00 to \$6.00 generating \$39,082 in additional revenue.

**17 Replace General Funds with Receipts**

(\$56,000)	R	(\$56,000)	R
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Establish a \$1.00 blood pour off fee and a \$.04 vacuum tube handling fee.

**Weights and Measures****18 Replace General Funds with Receipts**

(\$67,200)	R	(\$67,200)	R
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Increase public weighmaster fees from \$12.00 to \$19.00, generating \$32,200 in additional revenue. Increases various calibration fees at the Standards Lab generating \$35,000 in additional revenue.

**19 Replace General Funds with Receipts**

(\$12,000)	R	(\$12,000)	R
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Establish a \$20 fee for a Scale Technician License.

**20 Fund Shift One Position**

(\$28,394)	R	(\$28,394)	R
------------	---	------------	---

Fund existing position with Highway Funds transferred to the Department.

-1.00

-1.00

**Total Legislative Changes**

(\$2,414,659)	R	(\$2,508,909)	R
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**Total Position Changes**

-11.00	-11.00
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**Revised Budget**

\$49,829,113	\$49,456,901
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## Labor

## GENERAL FUND

	FY 05-06		FY 06-07	
<b>Adjusted Continuation Budget</b>	<b>\$14,198,496</b>		<b>\$14,213,868</b>	
<b>Legislative Changes</b>				
<b>Administration</b>				
<b>21 Eliminate 1.0 Vacant Position</b>	(\$31,878)	R	(\$31,878)	R
Eliminate Office Assistant position in Commissioner's Office.	-1.00		-1.00	
<b>22 Fund Shift 1.0 Position to Receipt Support</b>	(\$36,030)	R	(\$36,030)	R
Fund shift Accounting Clerk position in Administrative Services to elevator receipt support.	-1.00		-1.00	
<b>23 Eliminate Inflationary Increases</b>	(\$1,755)	R	(\$1,755)	R
Eliminate inflationary increases allowed in the continuation budget for Administrative Services, Information Technology, and the Commissioner's Office.				
<b>24 Reduce Operating</b>	(\$24,461)	R	(\$24,461)	R
Reduce various operating line items in Administrative Services, Labor Statistics, Information Technology, and the Information Office.				
<b>Labor Standards and Inspections</b>				
<b>25 Shift Mine and Quarry Bureau to Receipt Support</b>	(\$539,514)	R	(\$540,160)	R
Make the Mine and Quarry Bureau fully receipt-supported by instituting an annual fee and eliminating General Fund support.	-9.00		-9.00	
<b>26 Eliminate Inflationary Increases</b>	(\$3,623)	R	(\$3,623)	R
Eliminate inflationary increases allowed in the continuation budget for Apprenticeship, Employment Discrimination, and Wage and Hour.				
<b>27 Reduce Operating Support</b>	(\$17,400)	R	(\$17,400)	R
Reduce various operating line items in Apprenticeship, Employment Discrimination, and Wage and Hour.				
<b>28 Continue to Fund Apprenticeship Program</b>	\$663,374	R	\$663,374	R
General Fund dollars will partly restore funding for the Apprenticeship Program that is no longer available through the Worker Training Trust Fund.	10.00		10.00	

## OSH

**29 Eliminate Inflationary Increases**

(\$47,424) R (\$47,424) R

Eliminate inflationary increases allowed in continuation  
budget for Occupational Safety and Health.**30 Reduce Operating**

(\$5,000) R (\$5,000) R

Reduce various operating line items in Occupational Safety  
and Health.

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**Total Legislative Changes**

(\$43,711) R (\$44,357) R

**Total Position Changes**

-1.00 -1.00

**Revised Budget**\$14,154,785 \$14,169,511

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## Environment &amp; Natural Resources

## GENERAL FUND

	FY 05-06		FY 06-07	
<b>Adjusted Continuation Budget</b>	<b>\$167,189,338</b>		<b>\$168,187,593</b>	

## Legislative Changes

## (1.0) Administration

**31 Eliminate 1.0 Vacant Position**

Eliminate vacant Federal Legislative Programs Coordinator position.

(\$74,070) R (\$74,070) R

-1.00 -1.00

**32 Reduce Rent**

Reduce Regional Office rent line item.

(\$50,000) R (\$50,000) R

**33 Fund One-Stop Permitting Program Positions**

Provide General Fund support for 2.0 One-Stop Permitting Program positions that have previously been supported through available funds.

\$113,168 R \$113,168 R

2.00 2.00

**34 Expand Express Permitting Program Statewide**

Expand the Express Permitting Program statewide by establishing and supporting 12.0 positions using existing receipts in the Express Review Fund.

## (1.0) Ecosystem Enhancement Program

**35 Fund Shift Ecosystem Enhancement Program**

Fund shift remainder of Ecosystem Enhancement Program to receipt support.

(\$235,439) R (\$235,439) R

-5.00 -5.00

## (1.0) Office of Conservation and Community Affairs

**36 Fund Shift Natural Heritage Program**

Fund shift remainder of Natural Heritage Program to Natural Heritage Trust Fund support.

(\$250,851) R (\$250,851) R

-4.50 -4.50

## (2.0) Coastal Management

**37 Reduce Purchased Services**

Reduce various purchased services line items.

(\$10,000) R (\$10,000) R

**38 Reduce Supplies**

Reduce various supply line items.

(\$3,200) R (\$3,200) R

**39 Reduce Equipment**

Reduce various equipment line items.

(\$3,000) R (\$3,000) R

**(2.0) Environmental Health****40 Eliminate 1.0 Vacant Position**

(\$61,040)	R	(\$61,040)	R
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Eliminate Environmental Specialist III position in the On-Site Wastewater Section.

-1.00		-1.00	
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**41 Reduce Purchased Services**

(\$26,500)	R	(\$26,500)	R
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Reduce various purchased services line items.

**42 Reduce Supplies**

(\$10,000)	R	(\$10,000)	R
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Reduce various supply line items.

**43 Reduce Equipment**

(\$2,000)	R	(\$2,000)	R
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Reduce various equipment line items.

**44 Reduce Other Expenses**

(\$3,000)	R	(\$3,000)	R
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Reduce expenditures in the "Other Expenses" line item.

**45 Fund Shift Position to General Fund Support**

\$54,113	R	\$54,113	R
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Fund shift West Nile Virus Control position previously supported through federal CDC grant funds to General Fund support.

1.00		1.00	
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**(2.0) Land Resources****46 Reduce Sediment Education Funds**

(\$100,000)	R	(\$100,000)	R
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Reduce funding for sediment education projects.

**47 Eliminate Mining Education Funds**

(\$15,450)	R	(\$15,450)	R
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Eliminate funding for mining education programs.

**48 Eliminate Inflationary Increases**

(\$10,407)	R	(\$10,407)	R
------------	---	------------	---

Eliminate inflationary increases allowed in the continuation budget for utilities and travel.

**49 Reduce Contractual Services**

(\$50,000)	R	(\$50,000)	R
------------	---	------------	---

Reduce contractual services for county boundary program.

**50 Reduce Operating**

(\$20,000)	R	(\$20,000)	R
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Reduce various operating line items.

**(2.0) Marine Fisheries****51 Eliminate 1.0 Vacant Position**

(\$31,839)	R	(\$31,839)	R
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Eliminate Research Vessel Engineer position.

-1.00		-1.00	
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## Senate Subcommittee on Natural and Economic Resources

FY 05-06

FY 06-07

**52 Reduce Boat Replacement Continuation Increase**

(\$14,693) R

(\$14,693) R

Reduce continuation increase for boat replacement and maintain current replacement schedule.

(\$92,000) NR

**53 Reduce Board Support**

(\$30,000) R

(\$30,000) R

Reduce transportation and subsistence line items for the Marine Fisheries Commission.

**54 Reduce Operating**

(\$100,000) R

(\$100,000) R

Reduce various operating line items.

**55 Receipt-Supported Position**

Establish 1.0 time-limited, permanent position supported by Atlantic Coastal Cooperative Statistics Program Grant funds. This position will collaborate with the National Marine Fisheries Service and help fulfill federal fishery data requirements.

Computer Consultant II (1.0) \$49,217

**(2.0) Pollution Prevention and Env. Assistance****56 Reduce Purchased Services**

(\$5,000) R

(\$5,000) R

Reduce various purchased services line items.

**57 Reduce Supplies**

(\$8,000) R

(\$8,000) R

Reduce various supply line items.

**58 Reduce Equipment**

(\$5,000) R

(\$5,000) R

Reduce various equipment line items.

**59 Eliminate Other Contracts/Grants Funds**

(\$35,976) R

(\$35,976) R

Eliminate funding in the "Other Contracts/Grants" line item.

**(2.0) Waste Management****60 Eliminate 1.0 Position**

(\$48,673) R

(\$48,673) R

Eliminate Information/Communication Specialist III position.

-1.00

-1.00

**61 Fund Shift 1.0 Position**

(\$47,734) R

(\$47,734) R

Fund shift Waste Management Specialist position to septage management fee support.

-1.00

-1.00

**62 Reduce Purchased Services**

(\$94,000) R

(\$94,000) R

Reduce various purchased services line items.

**63 Reduce Supplies**

(\$20,000) R

(\$20,000) R

Reduce various supply line items.

## Senate Subcommittee on Natural and Economic Resources

**FY 05-06****FY 06-07****64 Reduce Aid and Public Assistance**

(\$24,235)

R

(\$24,235)

R

Reduce the aid and public assistance line items.

**(2.0) Water Quality****65 Eliminate 5.0 Vacant Positions**

(\$226,563)

R

(\$226,563)

R

Eliminate 5.0 vacant positions.

-5.00

-5.00

Environmental Specialist II (1.0) (\$40,807)

Processing Assistant V (1.0) (\$34,869)

Environmental Supervisor I (1.0) (\$49,455)

Soil Scientist II (1.0) (\$47,362)

Environmental Engineer II (1.0) (\$54,070)

**66 Reduce Inflationary Increases**

(\$23,908)

R

(\$23,908)

R

Reduce inflationary increases allowed in the continuation budget for electrical services.

**67 Reduce Purchased Services**

(\$65,000)

R

(\$65,000)

R

Reduce various purchased services line items.

**68 Reduce Supplies**

(\$60,000)

R

(\$60,000)

R

Reduce various supply line items.

**69 Reduce Equipment**

(\$3,000)

R

(\$3,000)

R

Reduce various equipment line items.

**70 Reduce Operating**

(\$250,000)

R

(\$250,000)

R

Reduce various operating line items.

**71 Receipt-Supported Position**

Establish 1.0 permanent position supported by federal EPA 106 grant funds. This position will plan, coordinate, and support the NPDES Discharge Monitoring Coalition program.

Environmental Specialist III (1.0) \$47,189

**(2.0) Water Resources****72 Reduce Contractual Services**

(\$50,000)

R

(\$50,000)

R

Reduce the contractual services line item.

**73 Reduce Purchased Services**

(\$10,000)

R

(\$10,000)

R

Reduce various purchased services line items.

**74 Reduce Supplies**

(\$5,000)

R

(\$5,000)

R

Reduce various supply line items.

**(3.0) Aquariums****75 Oyster Hatchery Research**

\$600,000 R

\$600,000 R

Provide funding to the Division of North Carolina Aquariums to plan for the development of an oyster hatchery and public education program regarding the hatcheries at each of the three North Carolina aquariums.

**(3.0) Forest Resources****76 Reduce Funding for Equipment and Vehicles**

(\$1,036,921) R

(\$1,036,921) R

Reduce funding increases allowed in the continuation budget for equipment and vehicles within the Division of Forest Resources. With the reduction, the Division would still receive a \$1,809,500 increase to these line items in the continuation budget.

**77 Reduce Operating Support**

(\$25,000) R

(\$25,000) R

Reduce operating support to the Division of Forest Resources.

**78 Forest Resources Receipt Supported Position**

Allows for the establishment of 1.0 full-time permanent position with the Division of Forest Resources from aircraft deployment receipts. This position will be responsible for the Division's fixed wing and rotary wing fleet parts program.

Program Assistant V 1.0 \$31,941

**79 Forest Resources Receipt Supported Positions**

Establish 3.0 time-limited positions in the Division of Forest Resources upon receipt of federal grant funds. No state funds will be expended on these positions.

Fire & Rescue Training Instructor	1.0	\$45,605
Extension Education & Training Specialist I	1.0	\$37,892
Forester III	1.0	\$44,755

**(3.0) Museum of Natural Sciences****80 Eliminate Vacant Positions**

(\$134,318) R

(\$134,318) R

Eliminate 4.0 vacant positions in the Division of Museum of Natural Sciences.

-4.00

-4.00

Processing Assistant V	(1.0)	(\$31,284)
Environmental Technician I	(1.0)	(\$29,814)
Office Assistant IV	(1.0)	(\$32,339)
Natural Science Curator I	(1.0)	(\$40,341)

**81 NC Museum of Natural Science Continuation of UNC-TV Show**

\$250,000 NR

Provide funds to continue production with UNC-TV of season two of Exploring NC.

**(3.0) NC Zoological Park****82 NC Zoological Park Receipt Supported Positions**

Establish 4.0 two-year time-limited, full-time positions in the Division of the NC Zoological Park from non-capital gift revenue. These positions are involved in the construction of a new Elephant/Rhino exhibit and holding facilities.

Maintenance Mechanic II 4.0 \$136,500

**(3.0) Parks and Recreation****83 Reduce Operating Support**

(\$25,000) R (\$25,000) R

Reduce operating support for the Division of Parks and Recreation.

**84 Reduce Operating Reserve**

(\$1,000,000) R (\$1,000,000) R

Reduce the increase in operating reserve support allowed in the continuation budget for the Division of Parks and Recreation. With this reduction, the Division would receive a \$2.2 million increase in operating reserve support in FY 2005-06.

**85 Parks and Recreation Receipt Supported Position**

Establish 1.0 permanent, full-time position in the Division of Parks and Recreation. This position will plan, supervise and monitor design and construction contracts for park facilities funded by the Parks and Recreation Trust Fund.

Facility Engineering Specialist 1.0 \$43,907

**(3.0) Soil and Water Conservation****86 Eliminate Vacant Position**

(\$45,171) R (\$45,171) R

Eliminate a vacant Soil Specialist position.

-1.00 -1.00

**87 Reduce Operating Support**

(\$40,000) R (\$40,000) R

Reduce various operating line items within the Division of Soil and Water Conservation

**88 Establish 1.0 Position**

\$40,000 R \$40,000 R

Establish 1.0 permanent position in the Division of Soil and Water Conservation for the expansion of a pilot program that inspects animal waste management systems.

1.00 1.00

Environmental Specialist II 1.0

**(4.0) Reserves and Transfers****89 Eliminate Water Quality Workgroup Funds**

(\$87,300) R (\$87,300) R

Eliminate funding for Water Quality Workgroup research grants.

<b>90 Shift Beaver Management Assistance Program funding to receipt support</b>	(\$449,000)	R	(\$449,000)	R
Fund shift the Beaver Management Assistance Program from General Fund support in the Wildlife Resources Commission to available receipt support in the Department of Transportation.				
<b>91 Shift LEO Salary Adjustment Support to Receipts</b>	(\$456,481)	R	(\$456,481)	R
Shift funding for a LEO salary adjustment that has been historically funded with General Fund monies to existing Wildlife Resources Commission receipts.				
<b>92 Partnership for the Sounds</b>				
Increase funding to enhance tourism marketing and economic development in the region.	\$2,000,000	NR		
<b>93 Superfund State Match Funds</b>				
Provides funds to meet the 10% state match requirement for drawing down the maximum available federal funds for the clean up of National Priority List sites.	\$1,000,000	NR		
<b>94 Clean Water SRF Match Funds</b>				
Provide funds to meet the 20% state match requirement for drawing down the maximum available federal funds for the Clean Water State Revolving Fund.	\$3,889,571	NR		
<b>95 Drinking Water SRF Match Funds</b>				
Provide funds to meet the 20% state match requirement for drawing down the maximum available federal funds for the Drinking Water State Revolving Fund.	\$1,415,980	NR		
<b>96 Funds for Global Warming Initiatives, Inc.</b>				
Provides funds for Global Warming Initiatives, Inc., a non-profit that promotes awareness and reporting of greenhouse gas emissions.	\$10,000	NR		
<b>97 Increase Grassroots Funding</b>				
Increase funding to the Grassroots Science Museums for two additional museums: Eastern and Elizabeth City.	\$100,000	R	\$100,000	R
<b>98 Wildlife Resources Commission Receipt Supported Positions</b>				
Allows for the establishment of the following 8.0 positions.				
Wildlife Technician II 3.0 \$107,886 75% Federal/25% Wildlife				
Wildlife Technician III 1.0 \$ 32,662 NMFS and FWS Section 6				
Wildlife Technician III 1.0 \$ 32,662 Waterfowl Fund				
Processing Assistant V 1.0 \$ 29,814 Wildlife Fund				
Applications Analyst 1.0 \$ 69,806 Wildlife Fund				
Applications Specialist 1.0 \$ 91,250 Wildlife Fund				

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<b>Total Legislative Changes</b>	<b>(\$4,475,488)</b>	<b>R</b>	<b>(\$4,475,488)</b>	<b>R</b>
	<b>\$8,473,551</b>	<b>NR</b>		
<b>Total Position Changes</b>	<b>-20.50</b>		<b>-20.50</b>	
<b>Revised Budget</b>	<b>\$171,187,401</b>		<b>\$163,712,105</b>	

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## Commerce

## GENERAL FUND

	FY 05-06		FY 06-07
<b>Adjusted Continuation Budget</b>	<b>\$35,532,306</b>		<b>\$35,583,572</b>
<b>Legislative Changes</b>			
<b>Administrative Services</b>			
<b>99 Reduce Inflationary Increases</b>	(\$24,287) R		(\$24,287) R
Reduce increases for office equipment and legal services.	(\$80,000) NR		
<b>100 Eliminate Vacant Position</b>	(\$48,287) R		(\$48,287) R
Eliminate one Community Development Specialist position for the Wanchese Seafood Industrial Park that has not been filled since 3/31/2000.	-1.00		-1.00
<b>101 Wanchese Seafood Industrial Park</b>	\$48,287 R		\$48,287 R
Provide operating funds for security at the Park.			
<b>Business and Industry</b>			
<b>102 Reduce Funds for Purchased Services and Equipment</b>	(\$67,000) R		(\$67,000) R
Reduce expenditures for operations based on historical reversions.			
<b>Community Assistance</b>			
<b>103 Eliminate Vacant Position</b>	(\$53,377) R		(\$53,377) R
Eliminate one Community Development Planner I position that has not been filled since 7/1/04.	-1.00		-1.00
<b>104 Reduce Funds for Purchased Services and Equipment</b>	(\$35,000) R		(\$35,000) R
Reduce expenditures for operations based on historical reversions.			
<b>Executive Aircraft</b>			
<b>105 Reduce Funds for Purchased Services, Supplies and Equipment</b>	(\$100,000) R		(\$100,000) R
Reduce expenditures for operations based on historical reversions.			
<b>106 Reduce Inflationary Increases</b>	(\$43,150) R		(\$123,150) R
Reduce increases for purchased services for FY 05/06 and reduces funds for purchased services and repairs for FY 06/07.			
<b>107 Eliminate Vacant Position</b>	(\$64,634) R		(\$64,634) R
Eliminate vacant Executive Pilot II position that has not been filled since 7/1/2004.	-1.00		-1.00

**Finance Center****108 Funds for One North Carolina Fund**

Provide funds for the One North Carolina Fund for FY 05/06.

\$5,000,000 NR

**Industrial Commission****109 Establish Receipt-Supported Positions**

Establish four (4) receipt-supported positions with the Industrial Commission.

Legal Specialist I	1.0	\$45,280
Program Assistant V	1.0	\$29,516
Special Deputy Commissioners	2.0	\$113,438

**110 Establish Receipt-Supported Positions**

Establish thirteen (13) receipt-supported positions in the Industrial Commission with revenue generated by implementing a fee for the required review of Form 21 Agreements.

Administrative Officer II Positions (Workers' Comp. Fraud Investigators)	2.0
Administrative Officer II Positions (Ombudsman)	2.0
Program Assistant V	2.0
Receptionist III	1.0
Industrial Safety Representative II	4.0
Special Deputy Commissioners	2.0

Total Receipts Required	\$628,099
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**International Trade****111 Budget Over-Collected Receipts**

(\$250,000)	R	(\$250,000)	R
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Require the Department to budget receipts that have been consistently collected during the previous three fiscal years for trade shows.

**112 Eliminate Inflationary Increase for Purchased Services**

(\$38,144)	R	(\$38,144)	R
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Eliminate an increase for purchased services for the biennium.

**Marketing****113 Furniture Market Advertising**

\$1,000,000	R	\$1,000,000	R
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Provide funds to promote the North Carolina furniture industry, including the International Home Furnishings Market.

**Policy and Research****114 Eliminate Vacant Position**

(\$26,244)	R	(\$26,244)	R
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Eliminate a vacant Processing Assistant III position that has not been filled since 1/1/04.

-1.00	-1.00
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Senate Subcommittee on Natural and Economic Resources

**FY 05-06**

**FY 06-07**

**115 North Carolina Economic Development Information System**

Establish one (1.0) Data Base Administrator position and provide operating support for the NC EDIS.

\$297,898 R  
\$1,000,000 NR  
1.00

\$297,898 R  
1.00

**Reserves and Transfers**

**116 Duplin Agribusiness Center**

Provide funds to Duplin County to match federal and local funds to construct the Duplin Commons Agribusiness Center.

\$1,000,000 NR

**117 Gaston Chamber of Commerce**

Provide funds for marketing and economic development initiatives in the region to assist in the recovery from lost textile and manufacturing jobs.

\$500,000 NR

**Science and Technology**

**118 Establish Position**

Provide funds for the Deputy Director/Chief Policy Analyst position for the N.C. Board of Science and Technology. This position has historically been funded through the University of North Carolina.

\$80,000 R  
1.00

\$80,000 R  
1.00

**Travel and Tourism**

**119 Budget Over-Collected Receipts**

Require the Department to budget receipts that have been consistently collected during the previous three fiscal years.

(\$90,000) R

(\$90,000) R

**120 Eliminate Vacant Position**

Eliminate vacant Travel Relation Specialist position that has not been filled since 8/13/2004.

(\$44,064) R  
-1.00

(\$44,064) R  
-1.00

**121 Eliminate Inflationary Increase**

Eliminate increase for legal services for both years of the biennium.

(\$41,369) R

(\$41,369) R

**122 Reduce Funds for Purchased Services, Supplies and Equipment**

Reduce expenditures for operations based on historical reversions.

(\$200,000) R

(\$200,000) R

**123 Tourism Development**

Provide funds to the Forsyth Development Tourism Authority for the Winston Salem Convention and Visitors Bureau to advertise and promote travel and tourism in the Forsyth County area.

\$200,000 NR

**124 Statewide Marketing Reserve**

Provide funds for promoting travel and tourism statewide.

\$1,000,000 R

\$1,000,000 R

**Utilities Commission**

**125 Establish Receipt-Supported Position**

Establish one (1.0) Attorney IV position at \$94,204 for the Utilities Commission Public Staff.

**Welcome Centers****126 Reduce Funds for Purchased Services, Supplies and Equipment**

(\$45,000) R

(\$45,000) R

Reduce expenditures for operations based on historical  
reversions.

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**Total Legislative Changes**

\$1,255,629 R

\$1,175,629 R

\$7,620,000 NR

**Total Position Changes**

-3.00

-3.00

**Revised Budget**

\$44,407,935

\$36,759,201

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## N.C. Biotechnology Center

## GENERAL FUND

	FY 05-06		FY 06-07	
<b>Adjusted Continuation Budget</b>	<b>\$9,083,395</b>		<b>\$9,083,395</b>	
<b>Legislative Changes</b>				
<b>NC Biotechnology Center</b>				
<b>127 Increase funding for the NC Biotechnology Center</b>	<b>\$1,500,000</b>	<b>R</b>	<b>\$1,500,000</b>	<b>R</b>
Increase support for New Jobs Across North Carolina: A Strategic Plan for Growing the Economy Statewide through Biotechnology.	\$1,500,000	NR		
<b>Total Legislative Changes</b>	<b>\$1,500,000</b>	<b>R</b>	<b>\$1,500,000</b>	<b>R</b>
	<b>\$1,500,000</b>	<b>NR</b>		
<b>Total Position Changes</b>				
<b>Revised Budget</b>	<b>\$12,083,395</b>		<b>\$10,583,395</b>	

## Rural Economic Development Center

## GENERAL FUND

	FY 05-06		FY 06-07	
<b>Adjusted Continuation Budget</b>	<b>\$4,802,607</b>		<b>\$4,802,607</b>	
<b>Legislative Changes</b>				
<b>Rural Economic Development Center</b>				
<b>128 Rural Economic Infrastructure</b>	<b>\$20,000,000</b>	<b>R</b>	<b>\$20,000,000</b>	<b>R</b>
Provide funding to continue the North Carolina Infrastructure Program and provide matching grants to local governments. \$500,000 shall be allocated to the e-NC Authority.				
<b>Total Legislative Changes</b>	<b>\$20,000,000</b>	<b>R</b>	<b>\$20,000,000</b>	<b>R</b>
<b>Total Position Changes</b>				
<b>Revised Budget</b>	<b>\$24,802,607</b>		<b>\$24,802,607</b>	

**JUSTICE  
&  
PUBLIC SAFETY  
Section I**

## Judicial

## GENERAL FUND

	FY 05-06	FY 06-07
<b>Adjusted Continuation Budget</b>	<b>\$341,443,618</b>	<b>\$345,243,618</b>

## Legislative Changes

## Drug Treatment Court

<b>1 Reduce Drug Treatment Court Funding</b>	(\$1,000,000)	R	(\$1,000,000)	R
Funding for the Drug Treatment Court program currently operating in nine judicial districts in the state is reduced by \$1 million. The AOC may use other funding sources to sustain program operations, and is encouraged to leverage all existing local resources. Two positions will remain in AOC to provide support and technical assistance to local courts seeking to operate sustainable treatment courts without additional resources.	-12.00		-12.00	

## Equipment and Other Reserves

<b>2 Mecklenburg Telephone System</b>	\$1,500,000	NR		
Appropriates \$1.5 million non-recurring to equip the new Mecklenburg County Courthouse with a telephone system.				
<b>3 Reduce Salary Reserve</b>	(\$500,000)	R	(\$500,000)	R
Takes a recurring reduction to the AOC Salary Reserve Fund, which is generated by the difference between the budgeted salary for a position, and the lower amount paid for the position. This is an agency recommendation.				
<b>4 Reduce Equipment and Reserves 10%</b>	(\$1,033,725)	R	(\$1,033,725)	R
Takes a 10% recurring reduction in the line items for equipment and other reserves, including salary reserve accounts.				
<b>5 Reduce Pay Plan and Longevity Reserves</b>	(\$1,000,000)	R	(\$1,000,000)	R
Takes a reduction in the reserve accounts which support judicial pay plans and the judicial longevity. This cut is possible due to recent turnover which brings down the number of positions eligible for these benefits. This is an agency recommendation.				

## Family Court

<b>6 Reduce Family Court Staffing</b>	(\$492,994)	R	(\$492,994)	R
Reduces appropriation to Family Court program by 25%. All current locations shall be kept in operation, but with reduced staffing.	-8.00		-8.00	



**Systemwide****7 Create New Judicial Districts**

\$148,039	R	\$561,027	R
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Provides funding to split two current judicial districts. Superior Court District 20A (Anson and Richmond) and 20B (Stanly and Union) will be reconfigured with Stanly moving into 20A, leaving Union alone as 20B, effective December 1, 2005. District Court District 20 currently includes all four counties, but will align with the Superior Court District effective December 1, 2005. The Prosecutorial District will realign with the same county split effective January 1, 2007.

4.00	9.00
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Superior and District Court District 29, encompassing Henderson, McDowell, Polk, Rutherford, and Transylvania Counties, will be split into 29A (McDowell and Rutherford) and 29B (Henderson, Polk, and Transylvania) effective December 1, 2005. The Prosecutorial District will split on the same lines effective January 1, 2007. The current Trial Court Administrator will continue to serve both districts.

**Trial Courts****8 Reduce Dispute Settlement Centers Pass-through**

(\$150,671)	R	(\$150,671)	R
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Reduces the amount passed through to Dispute Settlement, or Mediation, Centers by 10%. Each local program's pass-through will be reduced by 10%.

**Total Legislative Changes**

(\$4,029,351)	R	(\$3,616,363)	R
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\$1,500,000	NR
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**Total Position Changes**

-16.00	-11.00
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**Revised Budget**

\$338,914,267	\$341,627,255
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## Judicial - Indigent Defense

## GENERAL FUND

	FY 05-06		FY 06-07	
<b>Adjusted Continuation Budget</b>	<b>\$96,688,190</b>		<b>\$91,688,190</b>	
<b>Legislative Changes</b>				
<b>Aid to Non-State Entities</b>				
<b>9 Reduce Grant-in-Aid to State Bar</b>	(\$88,500)	R	(\$88,500)	R
Reduces the funding passed through to the State Bar to support the Center for Death Penalty Litigation by 15%.				
<b>Attorney Fee Fund</b>				
<b>10 Reduce Indigent Persons Attorney Fee Fund</b>	(\$2,040,217)	R	(\$2,040,217)	R
Takes a recurring reduction to the Indigent Persons Attorney Fee Fund's continuation growth.				
<b>Sentencing Services</b>				
<b>11 Eliminate Sentencing Services Program</b>	(\$3,680,285)	R	(\$3,680,285)	R
Eliminates funding for Sentencing Services, which develops community-based punishment plans for offenders. Cost per plan, at \$1,800, is excessive, and the demand for plans has been reduced by Structured Sentencing. Probation officers can provide quality pre-sentence investigations when requested by the sentencing judge.				
	-17.50		-17.50	
<b>Total Legislative Changes</b>	<b>(\$5,809,002)</b>	<b>R</b>	<b>(\$5,809,002)</b>	<b>R</b>
<b>Total Position Changes</b>	<b>-17.50</b>		<b>-17.50</b>	
<b>Revised Budget</b>	<b>\$90,879,188</b>		<b>\$85,879,188</b>	

## Justice

## GENERAL FUND

## Adjusted Continuation Budget

FY 05-06

\$78,155,004

FY 06-07

\$78,855,004

## Legislative Changes

**12 Budget Receipts for MIU State Match**

Budget receipts from the Department of Health and Human Services for the 25 percent state match required for the Medicaid Fraud Investigation Unit.

(\$406,840) R

(\$406,840) R

**Criminal Justice Training & Standards****13 Budget Over-realized Receipts**

Reduce the budget to offset increased receipts, based on revenue collections in FY 2003-04.

(\$50,000) R

(\$50,000) R

**14 Reduce Over-budgeted Worker's Compensation**

The budget for worker's compensation is reduced due to a decrease in projected need.

(\$46,587) R

(\$46,587) R

**Department-wide****15 Reduce Travel Line Items**

Reduce travel line items to actual 2003-04 expenditures.

(\$58,589) R

(\$58,589) R

**16 Eliminate vacant positions**

Eliminate five vacant positions in the Department:

3613-0000-0004-210 (Comp. Supp. Tech I)

3613-0000-0002-029 (Comp. Supp. Tech I)

3613-0000-0003-999 (Proc. Asst. V)

3613-0000-0004-231 (Proc. Asst. V)

3612-0000-0000-867 (Volunteer Services Coordinator)

(\$198,940) R

(\$198,940) R

-5.00

-5.00

**Law Enforcement - SBI****17 Reduce Vehicle Replacement Increase**

One-year elimination of the recurring increase for vehicle replacement recommended in the Governor's continuation budget. This leaves a budget of approximately \$1.1 million in 2005-06 and \$1.4 million in 2006-07.

(\$261,104) NR

**18 Reduce SBI Increase for Equipment**

Reduce the increase for equipment recommended in the Governor's continuation budget by 50 percent. The Department may use federal asset forfeiture funds to purchase additional equipment.

(\$115,368) R

(\$115,368) R

## Senate Subcommittee on Justice and Public Safety

**FY 05-06****FY 06-07****19 Budget Increased Receipts From DCI-PIN Fee**

(\$325,548) R

(\$651,096) R

Budget anticipated receipts from an increase in the monthly fee for access to the Division of Criminal Information - Police Information Network (DCI-PIN) from \$6 to \$12 for mobile data terminals, effective January 1, 2006.

**20 Reduce Over-budgeted Longevity**

(\$136,828) R

(\$136,828) R

The longevity budget is reduced due to a decrease in projected longevity payments.

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**Total Legislative Changes**

(\$1,338,700) R

(\$1,664,248) R

(\$261,104) NR

**Total Position Changes**

-5.00

-5.00

**Revised Budget**

\$76,555,200

\$77,190,756

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## Juvenile Justice &amp; Delinquency Prevention

## GENERAL FUND

	FY 05-06		FY 06-07	
<b>Adjusted Continuation Budget</b>	<b>\$139,857,825</b>		<b>\$140,157,825</b>	
<b>Legislative Changes</b>				
<b>Department-wide</b>				
<b>21 Reduce Non-salary Line Items</b>	(\$158,614)	R	(\$158,614)	R
Reduce the budget for data processing supplies and pc/printer equipment replacement				
<b>22 Reduce Travel Budget</b>	(\$63,882)	R	(\$63,882)	R
Reduce the continuation budget increase for employee travel.				
<b>23 Budget Prior Year Receipts</b>				
Increase the amount budgeted for prior year receipts to approximate the actual amount realized in recent fiscal years.				
	(\$300,000)	NR		
<b>Intervention/Prevention</b>				
<b>24 Juvenile Crime Prevention Councils</b>	(\$1,187,326)	R	(\$1,187,326)	R
Reduce the continuation budget for JCPC formula grants by 5 percent.				
<b>Special Initiatives</b>				
<b>25 NC Communities in Schools</b>	(\$103,500)	R	(\$103,500)	R
Reduce pass-through funding in the DJJDP continuation budget for the NC Communities in Schools (NCCIS) administrative office. The goal of NCCIS is to improve student school performance and it functions primarily to support the mission of the Department of Public Instruction. NCCIS will continue to receive continuation funding of \$169,000 R from DJJDP, \$200,000 R from the Governor's Office, and \$607,500 R from DPI. In addition, the Education Appropriations Subcommittee's budget provides \$500,000 (NR) in expansion funding, as requested in the Governor's Recommended Budget. In total, NCCIS will receive \$1,476,500 in state funds in FY05-06.				
<b>26 Project P.R.I.D.E.</b>	(\$140,000)	R	(\$140,000)	R
Eliminate continuation budget funding for this program. Program should seek state funding available through the county JCPCs or federal grants from the Governor's Crime Commission.				

**27 Eckerd Wilderness Camps**

\$500,000 R

\$500,000 R

500,000 R is provided for the Eckerd Wilderness Camp contract. The purpose of this expanded funding is to offset the educational costs of juveniles referred to Eckerd from DHHS, DJJDP, and private sources. DPI will continue to provide a separate payment to Eckerd, outside of the DJJDP contract, to offset the educational costs of juveniles referred by local school systems.

**Youth Development Centers****28 Reduce Funding for YDC Beds**

(\$3,230,000) R

(\$3,230,000) R

The funding for Youth Development Centers is over \$44 million dollars. This funding level is based on operating over 600 beds. DJJDP currently has 539 beds open and a population of 427. This action reduces funding by approximately 7% and reduces beds by approximately 50. In implementing this reduction, DJJDP shall not close any YDC's and shall implement the reduction throughout the YDC system.

-82.00

-82.00

**Total Legislative Changes**

(\$4,383,322) R

(\$4,383,322) R

(\$300,000) NR

**Total Position Changes**

-82.00

-82.00

**Revised Budget**

\$135,174,503

\$135,774,503

## Correction

## GENERAL FUND

	FY 05-06	FY 06-07
<b>Adjusted Continuation Budget</b>	<b>\$1,045,627,365</b>	<b>\$1,060,627,365</b>

## Legislative Changes

## Central Administration

<b>29 Travel</b>	(\$264,022)	R	(\$264,022)	R
Eliminate continuation increase in travel for DOC central administration.				

## Community Corrections

<b>30 Reduce Miscellaneous Contract Line Item</b>	(\$90,000)	R	(\$90,000)	R
Reduce line item. This will leave funds in excess of 2003-04 actual expenditures, to be used for risk assessments and other needs.				

<b>31 Reduce Office Equipment</b>	(\$90,000)	R	(\$90,000)	R
Reduce the budget for office equipment to more closely reflect actual 2003-04 expenditures.				

<b>32 Reduce Probation/Parole Officer I Positions</b>	(\$1,117,400)	R	(\$1,117,400)	R
Eliminate 25 vacant Probation/Parole Officer I positions. Caseloads for these positions have been increased from 90:1 to 110:1, leaving 59 positions that are not necessary to meet caseload goals. DCC may reallocate the remaining 34 positions for trainers, supervising officers, and other positions as needed.				
	-25.00		-25.00	

<b>33 Reduce Increase for CJPP</b>	(\$1,000,000)	R	(\$1,000,000)	R
Eliminate the increase in the Governor's recommended continuation budget. No funds shall be used for pre-trial release programs.				

## Department Wide

<b>34 Computer Equipment</b>	(\$943,839)	R	(\$943,839)	R
Reduce department wide personal computer/printer line item to 2003-04 actual expenditures				

<b>35 Reduce Overtime Budget</b>	(\$1,244,184)	R	(\$1,244,184)	R
Eliminate the recommended continuation budget increase in overtime pay.				

## Post-Release Supervision &amp; Parole Commission

<b>36 Eliminate Vacant Positions</b>	(\$94,642)	R	(\$94,642)	R
Eliminate two vacant case analyst positions.				
	-2.00		-2.00	

## Senate Subcommittee on Justice and Public Safety

FY 05-06

FY 06-07

**37 Restructure Parole Commission**

(\$102,662)

R

(\$102,662)

R

Reduce two of the three Commissioner positions from full-time to half-time positions. The Chair will remain a full-time position.

-1.00

-1.00

**Prisons****38 Carpentry/Hardware Supplies**

(\$500,000)

R

(\$500,000)

R

Reduce this line item by 10%

**39 Increase Inmate Medical Co-pay**

(\$149,000)

R

(\$149,000)

R

Increase inmate co-pay for sick call from \$3 to \$5 and for sick call outside normal hours from \$5 to \$7.

**40 Inmate Work Release Charges**

(\$536,000)

R

(\$536,000)

R

The amount inmates pay towards the administration of the work release program is \$16 a day in per diem and \$2.50 a day for transportation. This increases per diem to \$18 and transportation to \$3

**41 Close Union Correctional Center**

(\$1,157,396)

R

(\$1,157,396)

R

Union is one of the three remaining minimum custody prison field units recommended for closing by the Government Performance Audit Committee. While DOC will be short of prison beds in 2005-06 under current circumstances, the DOC projects an overage of minimum custody beds.

-32.00

-32.00

**42 Close Haywood Correctional Center**

(\$1,292,829)

R

(\$1,292,829)

R

Haywood Correctional Center is one of the three remaining minimum custody prison field units recommended for closing in the Government Performance Audit Study. While DOC will be short of prison beds in 2005-06 under current circumstances, the DOC projects an overage of minimum custody beds.

-36.00

-36.00

**43 Close Gates Correctional Center**

(\$1,019,120)

R

(\$1,019,120)

R

Gates is one of the three remaining minimum custody prison field units recommended for closing in the Government Performance Audit Study. While DOC will be short of prison beds in 2005-06 under current circumstances, the DOC projects an overage of minimum custody beds.

-28.00

-28.00

**44 Convert Cleveland Correctional Center**

(\$263,692)

R

(\$263,692)

R

Cleveland Correctional Center is a medium custody facility whose cost per day is higher than the average medium custody prison. It is recommended that Cleveland be converted to minimum custody. This will allow reduction of positions and costs due to lower level security needs.

-11.00

-11.00

**45 Inmate Medical -- Physician Charges**

(\$1,750,000)

R

(\$1,750,000)

R

This reduction assumes that fees charged by outside providers (physicians and physician specialists) for inmate medical will be tied to State Health Plan reimbursement rates and that DOC will continue efforts to regionalize medical services



**46 Inmate Medical--Hospital Charges**

(\$3,250,000) R (\$3,250,000) R

This reduction assumes that fees charged by hospitals for inpatient and outpatient services for DOC inmates will be tied to State Health Plan reimbursement rates and that DOC will continue efforts to regionalize medical services.

**47 Partial Reimbursement for Inmate Labor**

(\$600,000) R (\$600,000) R

DOC currently operates 115 inmate community work crews at a cost of approximately \$5 million dollars. These crews perform work projects at no cost to local and state agencies. DOC also has 140 inmate labor contracts with state and local governments. Inmate labor is provided for these long-term contracts at a charge of \$1 a day for each inmate. It is recommended that DOC charge other state and local governments for a portion of the operating costs of community work crews and for the administration of inmate labor contracts to recover a small portion of DOC costs. This will allow a reduction in the General Fund.

**48 Delay Maury Correctional Center Positions**

(\$1,061,088) NR

Maury Correctional center is due to open November 05; the inmate occupancy date is April 06. Positions are established on a rolling schedule from August 05 to November 05; this action pushes back the establishment of each position one month but is not intended to delay the opening of the prison.

**49 Delay Maury Regional Medical Positions**

(\$1,415,623) NR

DOC included funding for a regional medical program at Maury Correctional Center in its continuation budget. Based on the length of time for startup of a similar facility at Alexander Correctional Center, it is believed position establishment can be delayed until June of 05-06

**50 Delay Bertie Positions**

(\$1,155,007) NR

Construction of Bertie Correctional center is due to be completed in February, 2006; the inmate occupancy date is July 2006. Positions are established on a rolling schedule from September 05 to February 06. This action pushes back the establishment of each position one month but is not intended to delay the opening of the prison.

**51 Reduce line items in Maury and Bertie budgets**

(\$207,455) R (\$207,455) R

Reduce non-security line items by 10% at each prison (equipment, supplies etc)

**52 Maury and Bertie Salary Reserve**

(\$731,120) R (\$731,120) R

Eliminate salary reserve line item in new prisons. DOC can use department-wide salary reserve for position reallocation needs at Maury and Bertie.

**53 Holiday Pay**

(\$1,340,000) R (\$1,340,000) R

Reduce the continuation budget for holiday pay from 1.75 times regular pay to 1.5, the same holiday pay rate that other eligible state employees receive. DOC may use available funds to offset this reduction.

## Senate Subcommittee on Justice and Public Safety

**FY 05-06****FY 06-07****54 Reduce Unit Management Function in Prisons**

(\$1,058,835) R (\$1,058,835) R

DOC uses unit management positions at eighteen prisons to assist security and program staff with the day to day operation of housing units. This reduction would reduce unit manager and assistant unit manager positions at thirteen prisons with 6 or more unit management staff.

-30.00

-30.00

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**Total Legislative Changes**

(\$18,802,196) R (\$18,802,196) R

(\$3,631,718) NR

**Total Position Changes**

-165.00

-165.00

**Revised Budget**

\$1,023,193,451

\$1,041,825,169

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## Crime Control and Public Safety

## GENERAL FUND

	FY 05-06		FY 06-07
<b>Adjusted Continuation Budget</b>	<b>\$29,861,632</b>		<b>\$29,961,632</b>

## Legislative Changes

## Administration

<b>55 State/Local Redevelopment Liaison</b>	(\$90,294)	R	(\$90,294)	R
Eliminate the State/Local Redevelopment Liaison Position (4910-2000-0001-212). The function of this position duplicates that of the staff in the Division of Community Assistance (DCA) at the Department of Commerce. DCA assists local governments across the state with community development, housing, economic development, and revitalization. In addition, the Institute of Government at UNC-CH provides community and economic development assistance to county and local governments.	-1.00		-1.00	

## Alcohol Law Enforcement

<b>56 Leased Space</b>	(\$120,000)	R	(\$120,000)	
Reduce the continuation budget for leases to correct an erroneous increase.				

## Department-wide

<b>57 Increase Budgeted Receipts</b>	(\$290,000)	NR		
Increase the amount budgeted for receipts to approximate actual amounts realized in recent years.				
<b>58 Reduce Non-salary Line Items</b>	(\$352,132)	R	(\$352,132)	R
Reduce the continuation amount budgeted for contracts, supplies, equipment, and other non-salary expenses in Alcohol Law Enforcement, Butner Public Safety, and Administration.				

## National Guard

<b>59 National Guard Pension Fund</b>	\$4,500,000	R	\$4,500,000	R
Provide \$4,500,000 for the NC National Guard Pension Fund. Effective July 1, 2005, these funds will be used to increase the monthly pension benefit payment to current and future retirees from a maximum of \$100 to a maximum of \$150.				

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<b>Total Legislative Changes</b>	<b>\$3,937,574</b>	<b>R</b>	<b>\$3,937,574</b>	<b>R</b>
	<b>(\$290,000)</b>	<b>NR</b>		
<b>Total Position Changes</b>	<b>-1.00</b>		<b>-1.00</b>	
<b>Revised Budget</b>	<b>\$33,509,206</b>		<b>\$33,899,206</b>	

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**GENERAL  
GOVERNMENT  
Section J**

## Administration

## GENERAL FUND

## Adjusted Continuation Budget

FY 05-06

\$60,053,752

FY 06-07

\$61,483,537

## Legislative Changes

## 1123 Historically Underutilized Businesses

## 1 Construction Database Mgm't System Enhancement

Provides funding to enhance the existing HUBSCO Construction Reporting System to meet the current State Technical Architecture standards and to establish one Application Analyst Programmer position. The Department developed the system to capture HUB expenditures and construction data for the HUB Office and the State Construction Office.

\$74,915 R

\$74,915 R

\$250,000 NR

1.00

1.00

Recurring	FY 2005-06	FY2006-07
531211 Salaries	\$63,000	\$63,000
531511 Social Security	\$4,820	\$4,820
531521 Retirement	\$3,663	\$3,663
531561 Med Ins	\$3,432	\$3,432
Total Recurring	\$74,915	\$74,915

Nonrecurring	
532140 IT-HUBSCO Upgrades	\$250,000

**1230 Non-Public Education****2 Non-Public Education Personnel**

Provides funding to establish an Education Program Specialist position (\$30,354) and an Office Assistant IV position (\$23,316). Also provides additional funding for operating cost. The additional positions and operating cost will allow the Division to expand non-public school visitation, respond to citizen complaints about specific home schools, provide more careful review of annual standardized test results, and to contract out annual mailings to the home schools.

\$79,661	R	\$79,661	R
\$1,900	NR		
2.00		2.00	

Recurring	FY2005-06	FY2006-07
531211 Salaries	\$53,670	\$53,670
531511 Social Security	\$4,106	\$4,106
531521 Retirement	\$3,121	\$3,121
531561 Med Ins	\$6,864	\$6,864
532199 Annual Mailings	\$4,100	\$4,100
532714 Expanded Home Visitations	\$4,350	\$4,350
532840 Postage	\$3,000	\$3,000
532811 Telephones	\$450	\$450
Total Recurring	\$79,661	\$79,661

Nonrecurring	
534522 PC's	\$1,900

**1241 Management Information Systems****3 Information Technology Security Personnel**

Provides funding to establish an IT Security Associate Analyst position (\$54,811) to address the department's IT security issues that have been identified in the IT Security Assessment conducted by the Office of Information Technology Services.

\$81,334	R	\$81,334	R
1.00		1.00	

Recurring	FY2005-06	FY2006-07
531211 Salaries	\$54,811	\$54,811
531511 Social Security	\$4,193	\$4,193
531521 Retirement	\$3,187	\$3,187
531561 Med Ins	\$3,432	\$3,432
534710 Computer Software	\$500	\$500
534522 Equipment-Computers	\$3,000	\$3,000
532811 Telephone Service	\$600	\$600
532942 Oth Emp Ed Expenses	\$3,000	\$3,000
532930 Registration Fees	\$250	\$250
532725 Meals - Out of State	\$150	\$150
532722 Lodging - Out of State	\$625	\$625
532440 Maint Agree -DP Equip	\$2,565	\$2,565
532441 Maint Agree - Software	\$5,021	\$5,021
Total Recurring	\$81,334	\$81,334

**1311 Office of State Personnel****4 Operating Budget Increases**

Appropriates funds to perform a career banding study, to purchase equipment and software for the OSP Training Center, and to continue training for mediation services.

\$0	R	\$0	R
\$121,600	NR	\$0	NR
0.00		0.00	

	FY 05-06	FY 06-07
532199 Misc Contractual Svs	\$ 50,000	\$ 0
532942 Oth Svs/Training	\$ 21,600	\$ 0
534521 Office Equipment	\$ 25,000	\$ 0
534711 Computer Software	\$ 25,000	\$ 0

**1511 Purchase and Contract****5 E-Procurement Compliance Personnel**

Provides funding to establish 2 compliance officer positions (\$51,334 each) to provide E-procurement educational outreach, manage the E-procurement contract, and perform compliance reviews. The E-procurement contract requires a review of all direct payments for all NCAS agencies on a quarterly basis.

\$135,846	R	\$135,846	R
\$3,800	NR	\$0	NR
2.00		2.00	

Recurring	FY2005-06	FY2006-07
531211 Salaries	\$102,668	\$102,668
531511 Social Security	\$7,854	\$7,854
531521 Retirement	\$5,970	\$5,970
531561 Med Ins	\$6,864	\$6,864
532714 Trans-ground	\$2,200	\$2,200
532727 Trans-other	\$25	\$25
532721 Lodging-In State	\$1,800	\$1,800
532724 Meals-In State	\$1,000	\$1,000
532811 Telephone Service	\$950	\$950
532814 Cellular Phones	\$1,700	\$1,700
532930 Registration Fees	\$3,500	\$3,500
533110 Gen Office Supplies	\$1,315	\$1,315
Total Recurring	\$135,846	\$135,846

Nonrecurring	
534511 Furniture Office	\$1,200
534539 Other Equipment	\$2,600
Total Nonrecurring	\$3,800

**1771 Veterans Affairs Division****6 Scholarships Partially Funded From Escheats**

(\$1,491,106)	R	(\$2,679,379)	R
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Transfers funding for 76.4% of the scholarships from appropriation-support to receipt-support. The receipts will come from the Escheats Funds. This funding shift continues the funding shift that was made in the 2003 Appropriations Act., S.L. 2003-284. The funding shift does not impact the total amount available for the scholarship program. The total available for scholarships is \$5,625,058 for fiscal year 2005-06 and \$5,704,249 for fiscal year 2006-07.



**7 NC Veterans Park Funds**

Provides a grant-in-aid to the City of Fayetteville to establish the NC Veterans Park. The General Assembly made plans for the park in the 1990s that were never implemented.

\$3,500,000 NR

**1811 GACPD****8 Personnel Reduction**

(\$67,686) R

(\$67,686) R

Eliminates salary and fringe benefits equivalent to that of the Assistant Director position (4140-1540-0000-480). The Division Director's position has been vacant since November 2001. The Division also has an Administrative Secretary III position that has been vacant since January 2004. These vacancies have been allowed to remain pending the Governor's decision regarding redesignation of the Council to a non-profit status. The responsibilities of the Director have been performed by the Assistant Director. With the elimination of the salary and fringe benefits in the amount of \$67,686, the Department may select which of the Council's 7.28 General Fund positions it will eliminate.

-1.00

-1.00

**1881 Transition Team****9 Operating Budget Reduction**

(\$120,000) R

(\$120,000) R

Eliminates transition funds for the Council of State members. This funding will not be needed during the 2005-07 biennium.

**1882 Governor's Inauguration****10 Operating Budget Reduction**

(\$205,000) R

(\$205,000) R

Eliminates funding for the Governor's Inauguration. Funding will not be needed during the 2005-07 biennium.

**Total Legislative Changes**

(\$1,512,036) R

(\$2,700,309) R

\$3,877,300 NR

\$0 NR

**Total Position Changes**

5.00

5.00

**Revised Budget**

\$62,419,016

\$58,783,228

## Cultural Resources

## GENERAL FUND

	FY 05-06	FY 06-07
<b>Adjusted Continuation Budget</b>	<b>\$61,114,752</b>	<b>\$59,597,482</b>

## Legislative Changes

## 1110 Office of the Secretary

## 11 Boards and Commissions and North Carolina Awards

\$50,000	R	\$50,000	R
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Provides funding that supports travel and work of the Director of Boards and Commissions, who serves as the departmental liaison with 39 nonprofit support groups and foundations for state historic sites and museums. Additionally, restores state funding for the North Carolina Awards Program, which has been receipt-supported for several years.

	FY 05-06	FY 06-07
532199 Misc Contractual Svs	\$ 10,000	\$ 10,000
532714 Grd Trans/In-state	\$ 9,000	\$ 9,000
532721 Lodging/In-state	\$ 8,000	\$ 8,000
532724 Meals/In-state	\$ 6,000	\$ 6,000
532727 Misc/In-state	\$ 2,000	\$ 2,000
532850 Printing	\$ 10,000	\$ 10,000
533900 Oth Materials/Supplies	\$ 5,000	\$ 5,000

## 12 Operating Budget Reduction

(\$180,000)	R	(\$180,000)	R
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Eliminates funding for historical, art and cultural grants.

## 1120 Administrative Services

## 13 Information Technology Services Expansion

\$50,000	R	\$50,000	R
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Appropriates funding to establish one (1) Applications Programmer I position and to purchase additional computer equipment.

\$2,500	NR		
1.00		1.00	

	FY 05-06	FY 06-07
531112 Salaries	\$ 41,000	\$ 41,000
531511 Social Security	\$ 3,137	\$ 3,137
531521 Retirement	\$ 2,384	\$ 2,384
531561 Med Ins	\$ 3,432	\$ 3,432
532199 Misc Contractual Svs	\$ 47	\$ 47
534522 Equip - Computers	\$ 2,500	

## 1241 State Historic Sites

## 14 Increase Operating Budget

\$500,000	R	\$500,000	R
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Provides additional funds for maintenance of historic sites statewide.

**1243 State Capitol/Visitor Services****15 New Personnel**

Appropriates funds for two (2) Museum Specialist positions at pay grade 66 and salary of \$35,695. The total recurring expenditure is \$94,000, which includes \$85,597 for salaries and benefits and \$8,403 for operating expenses, and non-recurring expense of \$3,000 for office and computer equipment.

\$94,000	R	\$94,000	R
\$3,000	NR		
2.00		2.00	

**1320 Museum of Art****16 Program Diversity and New Security Personnel**

Provides funding to extend programming to schools and communities using computers, the Internet, and other means in order to broaden the museum's reach statewide. Also, provides funds to establish five (5) new Museum Guard positions.

\$283,797	R	\$250,000	R
5.00		5.00	

	FY 05-06	FY 06-07
531112 Salaries	\$104,030	\$104,030
531511 Social Security	\$ 7,958	\$ 7,958
531521 Retirement	\$ 6,049	\$ 6,049
531561 Med Ins	\$ 17,160	\$ 17,160
532714 Grd Trans/In-state	\$ 4,500	\$ 4,500
532721 Lodging/In-state	\$ 2,300	\$ 2,300
532724 Meals/In-state	\$ 1,800	\$ 1,800
532727 Misc/In-state	\$ 1,100	\$ 1,100
533900 Oth Materials/Supplies	\$ 3,000	\$ 3,000
534539 Oth Equipment	\$ 15,000	\$ 15,000
534610 Art and Artifacts	\$120,899	\$ 87,102

**1330 NC Arts Council****17 Grassroots Arts Program**

Increases funding in expenditure account 536996 for grants to local arts councils. This increase provides \$1.7 million for grants to local arts councils that are awarded through the formal application process.

\$580,000	R	\$580,000	R
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**1410 State Library Services****18 Services to the Blind and Physically Handicapped**

Appropriates funds to install and maintain a new telephone system, and a card access security system for the building and the computer server room.

\$16,100	R	\$9,100	R
\$27,300	NR		

	FY 05-06	FY 06-07
532199 Misc Contractual Svs	\$ 8,000	\$ 1,000
532811 Telephone Service	\$ 7,000	\$ 7,000
532812 Telecomm Data Charges	\$ 1,100	\$ 1,100
534539 Other Equipment	\$ 27,300	

**1480 State Library Statewide Programs****19 Aid to Counties**

\$1,000,000	R	\$1,000,000	R
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Provides additional funds to support grants to public libraries based upon the formula for State-Aid to Libraries. The additional funding provides \$15.8 million for aid to local libraries.

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**Total Legislative Changes**

\$2,393,897	R	\$2,353,100	R
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\$32,800	NR		
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**Total Position Changes**

8.00		8.00	
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**Revised Budget**

\$63,541,449		\$61,950,582	
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## General Assembly

GENERAL FUND
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	FY 05-06	FY 06-07
Adjusted Continuation Budget	\$43,864,588	\$46,965,432
Legislative Changes		
1900 Reserves and Transfers		
20 Operating Reserves		
Reduces operating reserve funds.	(\$880,000)	NR
Total Legislative Changes	(\$880,000)	NR
Total Position Changes		
Revised Budget	\$42,984,588	\$46,965,432

## Housing Finance Agency

## GENERAL FUND

	FY 05-06	FY 06-07
Adjusted Continuation Budget	\$4,750,945	\$4,750,945

## Legislative Changes

## 8104 NC Housing Foreclosure

## 21 Continue the Home Protection Pilot Program

Appropriates funding to continue the Home Protection Pilot Program in the existing eight counties. The pilot was established in Section 20A.1 of S.L. 2004-124.

\$1,000,000 NR

## Total Legislative Changes

\$1,000,000 NR

## Total Position Changes

## Revised Budget

\$5,750,945

\$4,750,945

## Insurance

## GENERAL FUND

	FY 05-06	FY 06-07
<b>Adjusted Continuation Budget</b>	<b>\$27,831,701</b>	<b>\$27,866,769</b>

## Legislative Changes

## 1200 Company Services Group

## 22 Information Technology Personnel

\$153,852	R	\$153,852	R
\$7,200	NR	\$0	NR
2.00		2.00	

Provides funding to establish an Applications Analyst Programmer II position (\$58,803) and a Computer Systems Analyst IV position (\$64,429) in the Information Services Division. One position will be used to continue the ongoing upgrade from multiple legacy systems to the new integrated Operations Tracking and Information System (OTIS). Duties include programming and the new ongoing maintenance once the OTIS system is completed. The other position will be responsible for security issues at the Department, including implementing the ISO 17799 standard for information technology security.

Recurring	FY2005-06	FY2006-07
531211 Salaries	\$123,232	\$123,232
531511 Social Security	\$9,427	\$9,427
531521 Retirement	\$7,166	\$7,166
531561 Med Ins	\$6,864	\$6,864
5327XX Transportation	\$2,213	\$2,213
5328XX Communication	\$1,200	\$1,200
5329XX Other Services	\$2,500	\$2,500
533110 Gen Office Supplies	\$1,250	\$1,250
Total Recurring	\$153,852	\$153,852

## Nonrecurring

534511 Furniture Office	\$7,000
5358XX Other Admin. Exp.	\$200

The Insurance Regulatory Fund will reimburse the General Fund for the appropriation.

**23 PEO Personnel and Operating Cost**

Provides funding to establish an Insurance Company Examiner III position (\$60,000) to administer and enforce the NC Professional Employer Organization Act (G.S. 58-89A). The primary emphasis of the position will be on the licensing and financial solvency of the PEOs.

\$89,961	R	\$89,961	R
\$5,500	NR		
1.00		1.00	

	FY2005-06	FY2006-07
Recurring		
531211 Salaries	\$60,000	\$60,000
531511 Social Security	\$4,590	\$4,590
531521 Retirement	\$3,489	\$3,489
531561 Med Ins	\$3,432	\$3,432
5327XX Transportation	\$11,600	\$11,600
5328XX Communication	\$1,350	\$1,350
5329XX Other Services	\$500	\$500
533110 General Office Supplies	\$2,500	\$2,500
533120 Data Processing Supplies	\$2,500	\$2,500
Total Recurring	\$89,961	\$89,961

Nonrecurring	
534511 Furniture Office	\$3,000
534543 PC/Printer Equipment	\$2,500
Total Nonrecurring	\$5,500

Fees collected with PEO applications and annual filings will be deposited into the Insurance Regulatory Fund and will be used to reimburse the General Fund for the appropriation.

<b>Total Legislative Changes</b>	<b>\$243,813</b>	<b>R</b>	<b>\$243,813</b>	<b>R</b>
	<b>\$12,700</b>	<b>NR</b>	<b>\$0</b>	<b>NR</b>
<b>Total Position Changes</b>	<b>3.00</b>		<b>3.00</b>	
<b>Revised Budget</b>	<b>\$28,088,214</b>		<b>\$28,110,582</b>	



**Insurance - Workers' Compensation for Volunteer Firemen****GENERAL FUND**

	<b>FY 05-06</b>	<b>FY 06-07</b>
<b>Adjusted Continuation Budget</b>	<b>\$4,500,000</b>	<b>\$4,500,000</b>
<b>Legislative Changes</b>		
<b>1900 Reserves and Transfers</b>		
<b>24 Volunteer Safety Workers' Compensation Fund</b>		
Reduces the General Fund appropriation to the Volunteer Safety Workers' Compensation Fund on a non-recurring basis. This reduction will not affect the operations of the Fund. The balance in the Fund as of February 28, 2005 was \$21.98 million. The average of the Fund's balances for the past 4 years is \$21.47 million.	(\$2,000,000)	NR
<b>Total Legislative Changes</b>	<b>(\$2,000,000)</b>	<b>NR</b>
<b>Total Position Changes</b>		
<b>Revised Budget</b>	<b>\$2,500,000</b>	<b>\$4,500,000</b>

## Lieutenant Governor

## GENERAL FUND

	FY 05-06		FY 06-07	
Adjusted Continuation Budget	\$690,697		\$690,697	
Legislative Changes				
1110 Administration				
25 Increase Office Assistant Position to Full Time	\$8,404	R	\$8,404	R
Increases an Office Assistant position (Pos # 3100-000-0016-035) from 30 to 40 hours per week.	0.25		0.25	
26 Increase Operating Budget	\$2,400	R	\$2,400	R
Provides funding to increase the operating budget in the following line items:				
	FY 05-06	FY 06-07		
532811 Telephone service	\$600	\$600		
532814 Cellular phone service	\$1,200	\$1,200		
532850 Printing, Binding, Dup	\$600	\$600		
27 Additional Personnel	\$51,536	R	\$51,536	R
Provides funding to establish a second Policy Development Analyst to serve as an Assistant to the Lieutenant Governor for Policy and Research.	\$1,700	NR		
	1.00		1.00	
	FY 05-06	FY 06-07		
531111 Salaries	\$42,307	\$42,307		
531511 Social Security	\$3,237	\$3,237		
531521 Retirement	\$2,460	\$2,460		
531561 Med Ins	\$3,432	\$3,432		
533110 Gen Office Sup	\$100	\$100		
534534 PC/Printer Equipment	\$1,200			
534713 PC Software	\$500			
Total Legislative Changes	\$62,340	R	\$62,340	R
	\$1,700	NR		
Total Position Changes	1.25		1.25	
Revised Budget	\$754,737		\$753,037	

## Office of Administrative Hearings

## GENERAL FUND

	FY 05-06		FY 06-07	
Adjusted Continuation Budget	\$2,976,210		\$2,967,712	
Legislative Changes				
1100 Administration and Operations				
28 Software Upgrade	\$2,000	R	\$2,000	R
Provides funding for a software upgrade that allows the North Carolina Register to be published on the Internet. Recurring funds are provided for the software's on-going maintenance support and hosting service, and nonrecurring funds are provided to purchase the upgrade.	\$9,200	NR		
Total Legislative Changes	\$2,000	R	\$2,000	R
	\$9,200	NR		
Total Position Changes				
Revised Budget	\$2,987,410		\$2,969,712	

## Revenue

## GENERAL FUND

## Adjusted Continuation Budget

FY 05-06

\$82,817,444

FY 06-07

\$82,960,444

## Legislative Changes

## 1602 Security

## 29 Additional Personnel

Provides funds to establish one (1) Systems Security Analyst position. This position will address issues raised in the 2004 Statewide Security Assessment conducted by the Office of Information Technology Services.

\$79,134 R

\$80,000 R

\$500,000 NR

1.00

1.00

	FY 05-06	FY 06-07
531211 Salaries	\$ 64,429	\$ 64,429
531511 Social Security	\$ 4,929	\$ 4,929
531521 Retirement	\$ 3,747	\$ 3,747
531561 Med Ins	\$ 3,432	\$ 3,432
532140 Oth IT	\$ 350,000	\$ 2,565
532714 Trans Grd In State	\$ 2,597	\$ 898
534713 PC Software Purchases	\$ 75,000	
534714 Server Software Purchases	\$ 75,000	

## 1605 Information Technology

## 30 Increase IT Operating Funds

Appropriates funding to support salaries, benefits, and computer equipment for three (3) additional positions: Computing Consultant III (\$38,773), Applications Analyst Programmer I (\$42,307), and Senior Computer Operator (\$28,038).

\$134,107 R

\$134,107 R

\$28,871 NR

3.00

3.00

	FY 05-06	FY 06-07
531211 Salaries	\$ 109,118	\$ 109,118
531511 Social Security	\$ 8,348	\$ 8,348
531521 Retirement	\$ 6,345	\$ 6,345
531561 Med Ins	\$ 10,296	\$ 10,296
534534 PC & Printer Purchases	\$ 24,000	
534713 PC Software	\$ 4,871	

## 1607 Tax Research

## 31 Personnel Adjustments

Eliminates salary and related benefits of two positions that have been vacant for more than six months: Office Assistant III, #4774-0000-0040-010 (\$29,561); and Statistical Assistant V, #4774-0000-0040-315 (\$29,814).

(\$59,375) R

(\$59,375) R

-2.00

-2.00

**1629 Property Tax****32 New Personnel**

Appropriates funds to establish two (2) Property Tax Valuation Specialist positions. Also, provides funding to increase per diem for board members with the chairman receiving \$450 per day and members receiving \$400 per day, effective January 1, 2006. The cost associated with the positions and increased compensation for board members will be reimbursed on a monthly basis through the allowance for administrative cost available per G.S. 105-501 in the year subsequent to the year the cost is incurred. Property tax expenses are reimbursed by the local sales tax at 100%.

\$156,616	R	\$179,916	R
\$12,000	NR		
2.00		2.00	

	FY 05-06	FY 06-07
531211 Salaries	\$ 102,668	\$ 102,668
531511 Social Security	\$ 7,854	\$ 7,854
531521 Retirement	\$ 5,970	\$ 5,970
531561 Med Ins	\$ 6,864	\$ 6,864
531651 Comp to Board Members	\$ 19,700	\$ 43,000
532448 Maint Agreement-Software	\$ 460	\$ 460
532714 Trans Grd In State	\$ 9,000	\$ 9,000
532721 Lodging In State	\$ 1,200	\$ 1,200
532724 Meals In State	\$ 1,200	\$ 1,200
532811 Telephone Service	\$ 700	\$ 700
533110 Gen Office Supplies	\$ 1,000	\$ 1,000
534511 Furniture - Office	\$ 9,000	
534534 PC & Printer Purchases	\$ 1,800	
534713 PC Software Purchases	\$ 1,200	

**1643 Taxpayer Assistance****33 Operating Expense Transfer**

Transfers 86 positions from General Fund to receipt-support from the 20% Collection Assistance Fee in Budget Code 24704-2472. The positions provide Level II and Level III call center support for the Taxpayer Assistance and Collection Center (TACC).

(\$2,007,624)	R	(\$2,008,039)	R
-86.00		-86.00	

**1660 Examination and Collection****34 Operating Budget Reduction**

Adjusts budget with a recurring reduction that is the result of transferring General Fund operations to receipt-support in FY 04-05 using funds from the 20% Collection Assistance Fee in Budget Code 24704-2474.

(\$3,664,145)	R	(\$3,664,145)	R
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**35 Personnel Transfer**

Transfers salaries and related benefits from General Fund to receipt-support from the 20% Collection Assistance Fee in Budget Code 24704-2472 for two (2) positions: Revenue Administrative Officer I, #4784-0000-0076-593 (\$47,426); and Processing Assistant IV, #4784-0000-0076-598 (\$27,913).

(\$75,339)	R	(\$75,339)	R
-2.00		-2.00	

**1663 Project Compliance****36 Hispanic Initiative**

\$250,000 R

\$250,000 R

Provides funding to continue the Hispanic initiative implemented in the 2004 Session that will improve tax compliance rates within the Hispanic population.

FY 05-06 FY 06-07

532199004 Interpreter Svs	\$ 50,000	\$ 50,000
532714 Trans Grd In State	\$ 4,000	\$ 4,000
532840003 Postage	\$ 71,000	\$ 71,000
532850 Printing & Binding	\$ 25,000	\$ 25,000
532860 Advertising	\$ 90,000	\$ 90,000
533110 Gen Office Supplies	\$ 10,000	\$ 10,000

**1670 Unauthorized Substance Tax****37 Additional Personnel**

\$61,206 R

\$61,206 R

Appropriates funds to establish one (1) Unauthorized Substance (USUB) Tax Enforcement Agent I. The cost associated with the position will be reimbursed on a monthly basis through the allowance for administrative cost available per G.S. 105-501 in the year subsequent to the year the cost is incurred. USUB expenses are reimbursed by the local sales tax at 70% with the General Fund supporting the remaining 30% of funding.

\$6,000 NR  
1.00

1.00

FY 05-06 FY 06-07

531211 Salaries	\$ 43,046	\$ 43,046
531511 Social Security	\$ 3,293	\$ 3,293
531521 Retirement	\$ 4,655	\$ 4,655
531561 Med Ins	\$ 3,432	\$ 3,432
532448 Maint Agreement-Software	\$ 230	\$ 230
532714 Trans Grd In State	\$ 4,500	\$ 4,500
532721 Lodging In State	\$ 600	\$ 600
532724 Meals In State	\$ 600	\$ 600
532811 Telephone Service	\$ 350	\$ 350
533110 Gen Office Supplies	\$ 500	\$ 500
534511 Furniture - Office	\$ 4,500	
534534 PC & Printer Purchases	\$ 900	
534713 PC Software Purchases	\$ 600	

**1710 Fuel Tax Compliance****38 Expansion of Revenue Tax Evasion Project**

Provides funding to add nine (9) positions to staff the project that was authorized in the 2004 Session, resulting in a total of nineteen (19) positions. Receipt-support continues for the project with the transfer of funding from the Highway Trust Fund. Total funding for the additional personnel is \$548,633 in FY 05-06 and \$470,701 in FY 06-07.

**Positions**

1 Processing Unit Supervisor (Gr. 61)	-	\$23,251
1 Processing Assistant V (Gr. 61)	-	\$23,251
1 Information Processing Tech (Gr. 63)	-	\$30,684
4 Revenue Tax Auditor I (Gr. 73)	-	\$148,576
1 Revenue Tax Auditor II (Gr. 75)	-	\$51,334
1 Revenue Admin Officer III (Gr. 78)	-	\$58,803

	FY 05-06	FY 06-07
531211 Salaries	\$ 335,899	\$ 335,899
531511 Social Security	\$ 25,696	\$ 25,696
531521 Retirement	\$ 19,533	\$ 19,533
531561 Med Ins	\$ 30,888	\$ 30,888
532448 Maint Agreement-Software	\$ 0	\$ 1,035
532714 Trans Grd In State	\$ 32,000	\$ 32,000
532721 Lodging In State	\$ 4,000	\$ 4,000
532724 Meals In State	\$ 4,000	\$ 4,000
532811 Telephone Service	\$ 3,150	\$ 3,150
532821 Comp Data Processing	\$ 10,000	\$ 10,000
533110 Gen Office Supplies	\$ 4,500	\$ 4,500
Total Recurring	\$ 469,666	\$ 470,701

532447 Maint Agree - PC/Printer	\$ 2,456
532942 Oth Emp Ed Expenses	\$ 12,881
534511 Furniture - Office	\$ 40,500
534521 Office Equip (calculator)	\$ 900
534534 PC/Printer (laptops & desks)	\$ 12,380
534534 PC/Printer Equipment	\$ 4,450
534713 PC Software Purchases	\$ 5,400
Total Non-Recurring	\$ 78,967

<b>Total Legislative Changes</b>	<b>(\$5,125,420)</b>	<b>R</b>	<b>(\$5,101,669)</b>	<b>R</b>
	<b>\$546,871</b>	<b>NR</b>		
<b>Total Position Changes</b>	<b>-83.00</b>		<b>-83.00</b>	
<b>Revised Budget</b>	<b>\$78,238,895</b>		<b>\$77,858,775</b>	

## Secretary of State

## GENERAL FUND

	FY 05-06		FY 06-07	
<b>Adjusted Continuation Budget</b>	<b>\$8,568,943</b>		<b>\$8,549,857</b>	
<b>Legislative Changes</b>				
<b>1230 Securities Division</b>				
<b>39 Operating Cost Increase</b>	<b>\$89,000</b>	<b>R</b>	<b>\$89,000</b>	<b>R</b>
Provides funding for new lease costs for the Department's Securities Division. The Department had to enter into a lease for space for its Securities Division when it was required to vacate the Legislative Office Building.				
<b>Total Legislative Changes</b>	<b>\$89,000</b>	<b>R</b>	<b>\$89,000</b>	<b>R</b>
<b>Total Position Changes</b>				
<b>Revised Budget</b>	<b>\$8,657,943</b>		<b>\$8,638,857</b>	



## State Board of Elections

## GENERAL FUND

		FY 05-06		FY 06-07	
<b>Adjusted Continuation Budget</b>		<b>\$4,957,543</b>		<b>\$4,959,307</b>	
<b>Legislative Changes</b>					
<b>1200 Campaign Reporting</b>					
<b>40 Campaign Reporting IT Support</b>		<b>\$110,000</b>	<b>R</b>	<b>\$110,000</b>	<b>R</b>
Provides funding to establish one Applications Analyst Programmer I position (\$46,306) to assist in supporting and enhancing the Campaign Finance Management System.		1.00		1.00	
	FY2005-06	FY2006-07			
531211 Salaries	\$46,306	\$46,306			
531511 Social Security	\$3,542	\$3,542			
531521 Retirement	\$2,693	\$2,693			
531561 Med Ins	\$3,432	\$3,432			
532143 LAN Support Services	\$54,027	\$54,027			
<b>Total Legislative Changes</b>		<b>\$110,000</b>	<b>R</b>	<b>\$110,000</b>	
<b>Total Position Changes</b>		<b>1.00</b>		<b>1.00</b>	
<b>Revised Budget</b>		<b>\$5,067,543</b>		<b>\$5,069,307</b>	

## State Budget &amp; Management

## GENERAL FUND

	FY 05-06		FY 06-07	
<b>Adjusted Continuation Budget</b>	<b>\$4,904,371</b>		<b>\$4,908,931</b>	
<b>Legislative Changes</b>				
<b>1310 Office of State Budget and Management</b>				
<b>41 NEON Maintenance Contract</b>	<b>\$7,000</b>	<b>R</b>	<b>\$7,000</b>	<b>R</b>
Provides funding to pay for an annual Shadow Web Server maintenance contract. This cost is required for the maintenance of OSBM budget-related, Web-enabled applications located on the State-owned mainframe computer system.				
<b>42 Personnel Increases</b>	<b>\$105,864</b>	<b>R</b>	<b>\$105,864</b>	<b>R</b>
Provides funding to establish one Standard Level Analyst for the Justice and Public Safety (JPS) Section at a salary of \$48,321 and one Standard Level Analyst for the Education and Transportation sections at a salary of \$38,772. The JPS Analyst will assist in the budget preparation, administration, and oversight for the Administrative Office of the Courts and for the Departments of Crime Control and Public Safety, Justice, Correction, Indigent Defense, and Juvenile Justice. The time and effort for the second position will be devoted to the Education Section (50%) and to the Transportation Section (50%) to assist in the budget preparation, administration, and oversight for the University System, the Department of Public Instruction, the North Carolina Community College System and for the Department of Transportation, the Highway Fund, and the Highway Trust Fund.				
Recurring	FY2005-06		FY2006-07	
531211 SPA Regular Salaries	\$87,093		\$87,093	
531511 Social Security	\$6,663		\$6,663	
531521 Retirement	\$5,064		\$5,064	
531561 Medical Insurance	\$6,864		\$6,864	
Total Recurring	\$105,684		\$105,684	
Nonrecurring				
534511 Furniture - Office	\$700			
534534 PC & Printer Purchases	\$1,800			
<b>Total Legislative Changes</b>	<b>\$112,864</b>	<b>R</b>	<b>\$112,864</b>	<b>R</b>
	<b>\$2,500</b>	<b>NR</b>	<b>\$0</b>	<b>NR</b>
<b>Total Position Changes</b>	<b>2.00</b>		<b>2.00</b>	
<b>Revised Budget</b>	<b>\$5,019,735</b>		<b>\$5,021,795</b>	

# State Budget & Management - Special Appropriations

## GENERAL FUND

	<b>FY 05-06</b>	<b>FY 06-07</b>
<b>Adjusted Continuation Budget</b>	<b>\$3,180,000</b>	<b>\$3,180,000</b>

### Legislative Changes

#### 1022 2005 Special Appropriations

##### 43 Kids Voting NC Funds

Provides funding to Kids Voting of North Carolina, Inc, a nonprofit corporation. Of the \$250,000 appropriated, \$50,000 shall be used to implement new Kids Voting programs in non-participating counties across the State. The remaining \$200,000 shall be divided on the basis of the North Carolina Department of Public Instruction's Average Daily Membership with a minimum of \$2,500 for the following counties: Buncombe, Cabarrus, Catawba, Clay, Cumberland, Durham, Greene, Guilford, Haywood, Henderson, Iredell, Jackson, Madison, Mecklenburg, New Hanover, Onslow, Randolph, and Wake to assist those counties with their Kids Voting programs (SB 690 and HB 895).

\$250,000 NR

#### 1023 Fire Protection Grant Fund

##### 44 Fire Protection Grants-in-Aid

Increases funding for the Fire Protection Grants-in-Aid program. New State-owned buildings have been constructed statewide, and this increase will provide additional grants-in-aid to local fire fighting districts that provide fire protection and other services for these new facilities.

\$1,000,000 R \$1,000,000 R

#### Total Legislative Changes

\$1,000,000 R \$1,000,000 R  
\$250,000 NR

#### Total Position Changes

#### Revised Budget

\$4,430,000 \$4,180,000

## State Controller

## GENERAL FUND

	FY 05-06	FY 06-07
<b>Adjusted Continuation Budget</b>	<b>\$9,960,527</b>	<b>\$9,966,970</b>

## Legislative Changes

## 1000 Administration

## 45 Additional Personnel

Appropriates funding for the addition of an Internal Control position to conduct on-site compliance reviews, prepare reports based on the findings, and perform follow-up on State property incident reports when warranted.

\$77,541	R	\$77,541	R
\$5,200	NR		
1.00		1.00	

	FY 05-06	FY 06-07
531112 Salaries	\$ 58,803	\$ 58,803
531511 Social Security	\$ 4,498	\$ 4,498
531521 Retirement	\$ 3,419	\$ 3,419
531561 Med Ins	\$ 3,432	\$ 3,432
532447 Maint Agree-PC & Printer	\$ 300	\$ 300
532448 Maint Agree-PC software	\$ 300	\$ 300
532714 Trans Grd In State	\$ 1,725	\$ 1,725
532721 Lodging In State	\$ 2,977	\$ 2,977
532724 Meals In State	\$ 1,586	\$ 1,586
533110 Gen Office Supplies	\$ 500	\$ 500
534534 PC & Printer Purchases	\$ 5,200	

<b>Total Legislative Changes</b>	<b>\$77,541</b>	<b>R</b>	<b>\$77,541</b>	<b>R</b>
	<b>\$5,200</b>	<b>NR</b>		
<b>Total Position Changes</b>	<b>1.00</b>		<b>1.00</b>	
<b>Revised Budget</b>	<b>\$10,043,268</b>		<b>\$10,044,511</b>	

## Treasurer

## GENERAL FUND

	FY 05-06	FY 06-07
<b>Adjusted Continuation Budget</b>	<b>\$8,222,117</b>	<b>\$8,228,365</b>

## Legislative Changes

## 1310 Local Government Operations

## 46 Information Technology Enhancements

Provides funding to perform feasibility studies along with the development of the requirements of a new document imaging system and a new debt management system. The funds will be used to hire consultants to: 1) document current business processes and workflows, 2) prepare business and technical requirements for the new systems, 3) prepare a request for proposals, 4) research and provide a list of potential vendors, 5) develop a high level project plan, 6) develop a high level risk analysis, and 7) develop an estimated budget for the implementation of these 2 systems. Of the total provided, \$150,000 is for the document imaging system and \$250,000 is for the debt management system.

\$400,000 NR

## 1410 Retirement Systems Division

## 47 Information Technology Project/ 2005-07 Biennium

Authorizes the use of receipts on a nonrecurring basis from the Retirement Fund for the final two phases of the Retirement Systems Division's Information Technology project (ORBITS).

ORBITS Project	FY2005-06	FY2006-07
5321XX	\$6,528,742	\$4,209,349
5324XX	\$1,086,838	\$739,216
5325XX	\$129,600	\$129,600
5345XX	\$596,300	\$396,300
5347XX	\$35,350	\$35,350
Total	\$8,376,830	\$5,509,815

Also authorizes the use of receipts on a recurring basis to establish two Applications Analyst Programmer II positions (\$58,803 each) to help develop the new system and maintain the system once the project is completed.

Salaries/Fringes	FY2005-06	FY2006-07
531212 Salaries	\$117,606	\$117,606
531512 Social Security	\$8,997	\$8,997
531522 Retirement	\$6,839	\$6,839
531562 Med Ins	\$6,864	\$6,864
Total Recurring	\$140,306	\$140,306

No General Funds are required to fund this project.

Treasurer

**48 Operating Budget to Support Administration of 401K**

Authorizes the use of receipts for the salaries and benefits of one Administrative Officer III position as well as for operating cost to support the position. The position will be responsible for overseeing the 401(K) Supplemental Retirement Plan, its investments, and its third party administrator. The operating funds will also be used to provide an independent review of the investment performance of the program each year as well as actuarial and legal fees.

Recurring	FY 2005-06	FY 2006-07
531212 Salaries	\$44,923	\$44,923
531512 Social Security	\$3,437	\$3,437
531522 Retirement	\$2,612	\$2,612
531562 Medical Insurance	\$3,432	\$3,432
532120 Financial/Audit Services	\$94,896	\$94,896
532714 Transportation	\$3,500	\$3,500
532724 Meals	\$1,500	\$1,500
535830 Other Admin. Exp.	\$3,700	\$3,700
Total Recurring	\$158,000	\$158,000

Non-recurring	
534500 Equipment	\$2,000

Receipts to support the operating budget will come from amounts collected by the third-party administrator.

**1510 Financial Operations Division****49 Personnel Increase**

Provides funding to establish a Debt Service Accounting position to properly account for the increased activity in the debt service area. With the substantial increased amount of debt that the State has issued and the complexity of the debt instruments, it has become very difficult to manage the increased workload with the current staffing levels.

\$67,478	R	\$67,478	R
\$1,000	NR		
1.00		1.00	

Recurring	FY2005-06	FY2006-07
531212 Salaries	\$56,181	\$56,181
531512 Social Security	\$4,298	\$4,298
531522 Retirement	\$3,267	\$3,267
531562 Med Insurance	\$3,432	\$3,432
533110 Gen Office Supplies	\$300	\$300
Total Recurring	\$67,478	\$67,478

Nonrecurring	
534511 Furniture-Office	\$1,000

The General Fund will be reimbursed from a non-tax revenue source for the amount of the appropriation.

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<b>Total Legislative Changes</b>	\$67,478	R	\$67,478	R
	\$401,000	NR		
<b>Total Position Changes</b>	1.00		1.00	
<b>Revised Budget</b>	\$8,690,595		\$8,295,843	

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**Treasurer - Retirement for Fire and Rescue  
Squad Workers****GENERAL FUND**

	<b>FY 05-06</b>		<b>FY 06-07</b>	
<b>Adjusted Continuation Budget</b>	<b>\$8,146,179</b>		<b>\$8,146,179</b>	
<b>Legislative Changes</b>				
<b>1412 Gen. Fund Contribution to Fire Pension Fund</b>				
<b>50 Increase Retirement Benefits</b>	<b>\$405,278</b>	<b>R</b>	<b>\$405,278</b>	<b>R</b>
Increases the benefits in the Firemen's and Rescue Squad Workers' Pension Fund from \$161 to \$163 per month for retirees and future retirees effective July 1, 2005.				
<b>Total Legislative Changes</b>	<b>\$405,278</b>	<b>R</b>	<b>\$405,278</b>	<b>R</b>
<b>Total Position Changes</b>				
<b>Revised Budget</b>	<b>\$8,551,457</b>		<b>\$8,551,457</b>	



# **TRANSPORTATION**

## **Section K**

# Transportation

## GENERAL FUND

	FY 05-06		FY 06-07	
<b>Adjusted Continuation Budget</b>	<b>\$12,027,377</b>		<b>\$12,945,066</b>	
<b>Legislative Changes</b>				
<b>(1200) Airport Grants</b>				
<b>1 Reduction in Grants</b>				
Reduces airport grants to \$11,284,198 in FY 2006. This is an increase of \$109,454 over funding in FY 2005.	(\$743,179)	NR		
<b>2 Transfer Support to Highway Fund</b>	(\$11,284,198)	R	(\$12,945,066)	R
This reduction is one part of a two step process to shift support of the aviation grant program from the General Fund to the Highway Fund.				
<b>Total Legislative Changes</b>	<b>(\$11,284,198)</b>	<b>R</b>	<b>(\$12,945,066)</b>	<b>R</b>
	<b>(\$743,179)</b>	<b>NR</b>		
<b>Total Position Changes</b>				
<b>Revised Budget</b>	<b>\$0</b>		<b>\$0</b>	

## Transportation

## HIGHWAY FUND

	FY 05-06	FY 06-07
<b>Adjusted Continuation Budget</b>	<b>\$1,399,158,973</b>	<b>\$1,401,940,921</b>

## Legislative Changes

## (0041) Aeronautics

**3 Transfer Support from General Fund**

\$11,284,198	R	\$12,945,066	R
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This increase is the second part of a two step process to shift support of the aviation grant program from the General Fund to the Highway Fund.

**4 Airline Recruitment Program**

\$350,000	R	\$350,000	R
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Provides funding for an incentive program to attract and retain improved airline services at North Carolina's eleven non-hub airports, where airline passenger traffic levels have been declining due to financial instability among major carriers.

## (0863) Leaking Underground Storage Tank Fund

**5 Statutory Adjustment**

\$156,750	R	\$483,777	
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In accordance with G.S.105-119.18, an adjustment based on estimated gallons of motor fuel sold is necessary to bring the Leaking Underground Storage Tank Fund allocation in line with current forecasts. The increase for FY 2006 brings total Highway Fund support for the program under this statute to \$6,010,286 in FY 2006.

## (0866) State Highway Patrol

**6 Motor Carrier Positions Upgrade**

\$1,561,889	R	\$1,639,984	R
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Provides 149 Motor Carrier Enforcement Officers, formerly DMV Enforcement Officers, with the training required to have the same level of arrest authority and pay as their trooper counterparts.

**7 Additional Troopers**

\$197,495	R	\$308,431	R
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Provides funding to increase the number of State Trooper positions for the North Carolina Highway Patrol. The addition of trooper positions will help the SHP advance its mission by promoting safe and efficient transportation for all motorists traveling through North Carolina. Funding total of two new troopers for FY 2006 with two additional troopers for FY 2007, for an increase of four for the biennium.

**8 VIPER (Voice Interoperable Communications Plan for Emergency Responders)**

\$51,087 R

\$51,087 R

Provides funding to continue the deployment of the VIPER Strategic 800 MHZ statewide system for all of North Carolina's public safety agencies. In addition to funding for equipment, funding is also provided for a Network Control Technician I.

\$8,000,000 NR

**(0867) DPI - Driver Training Program****9 Increase Driver Education Funding**

\$126,213 R

\$126,213 R

Provides funds for an increase in the Average Daily Membership (ADM) of students who will become eligible to take driver education during the biennium. With this increase, Highway Fund support for Driver Education in FY 2006 will be \$32,604,129.

\$3,192 NR

**(0869) Global Transpark****10 Global Transpark**

\$1,600,000 R

\$1,600,000 R

Provides funding for the Global Transpark Authority.

**(0871) Employer's Retirement Contribution****11 Optional Retirement Program - 1-year Vesting**

\$40,200 R

\$40,200 R

Increases the contribution rate to the Teacher's and State Employees' Retirement System for FY 2006 and FY 2007 to reduce the vesting period from five years of service to one year of service for employees of the University of North Carolina who elect to participate in the Optional Retirement Program.

**12 Disability Income Plan**

\$13,500 R

\$13,500 R

Additional amount needed in recurring funds for each year of the biennium to restore the reduction made during FY 2005. This increases the State's contribution from 0.445% to 0.52% of payroll as recommended by the Plan's actuary to ensure the Plan is adequately funded.

**13 Retirement System Contributions**

\$683,400 R

\$683,400 R

Increases the State's contribution for FY 2006 and 2007 to provide a 2.0% cost-of-living adjustment to retirees of the Teachers' and State Employees' Retirement System. This adjustment is funded in part with actuarial gains within the Retirement System.

**(0872) Employer's Contributions - Death Benefit****14 Death Benefit Trust**

\$54,200 R

\$54,200 R

Additional amount needed, after an adjustment to the Continuation Budget in the amount of \$589,000 in recurring funds for each year of the biennium, to restore the reductions made during the 2003-2005 biennium. This restores the State's contribution of 0.16% of payroll as recommended by the Plan's actuary to ensure the Plan is adequately funded.

**(0873) Salary Increase****15 State Funded Compensation Increases**

\$9,120,000	R	\$23,200,000	R
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Provides funds to support the greater of a \$500 flat amount or a 2% across-the-board salary increase for FY 2005-06 and to support a 3% annual salary increase for FY 2006-07 for full-time permanent employees supported with Highway Fund appropriations.

**(0882) Reserve for Visitor Centers****16 Increase Funding**

\$25,000	R	\$25,000	R
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Provides \$25,000 in funding to support the visitor center in Transylvania County.

**(0885) State Health Plan****17 Premium Increase**

\$6,240,000	R	\$8,320,000	R
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Effective October 1, 2005, provides a 15.2% premium increase to the Plan to continue non-contributory health benefit coverage for active and retired employees. The remaining financial support to keep the Plan solvent through the 2005-2007 biennium will come from increased fully contributory premiums paid by employees and retired employees to cover their families under the Plan, and a reduction in the Plan's benefits.

**(0934) Reserve for General Maintenance****18 Increase Funding**

\$50,928,923	R	\$50,928,923	R
\$26,772,818	NR		

Provides additional funds to help bring highway infrastructure up to an acceptable level of service and to address significant increases in costs of highway construction materials. These funds are in addition to the continuation budget for maintenance, which amounts to \$614,793,288.

**19 Cover Unreimbursed Maintenance Expenditures for Emergency Relief**

\$23,400,000	NR		
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Of funds DOT has expended in previous years on emergency relief for hurricane and ice storm damage, roughly \$80 million will not be reimbursed by federal agencies. Funds are appropriated to partially address this \$80 million shortfall.

**(7025) Information Technology****20 Email Replacement**

\$550,000	R	\$550,000	R
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Provides funding to replace the Department of Transportation's aging and obsolete email system. The current vendor, Netscape, has stopped supporting the email system, the operating system behind it, and the application software. The State CIO has approved \$300,000 for a planning project, with a "gate" approval in the project approval and reporting process before allowing the implementation to begin.

**21 Verification of Customer Identification System**

Provides funding for hardware and software at local DMV offices to access national databases for validating identification of people applying for driver licenses. The application will be outsourced through a competitive bidding process under the auspices of the State IT Purchasing Office. The department must follow the State CIO's project approval and reporting process, including procurement review and approval. Also the department must follow applicable new and emerging homeland security requirements.

\$1,272,000 NR

\$300,000 R

**22 System to Stagger Commercial and Dealer Plates (Senate Bill 1083)**

Senate Bill 1083, ratified in 2004, mandated the staggered issuance of commercial license plates, dealer license plates, and motor vehicle dealer plates expire on the same date, December 31 for commercial plates and June 30 for dealer plates. The mandated change goes into effect January 1, 2006, and additional funds are provided to accommodate the changes. The department must follow the State CIO's project approval and reporting process. Accordingly, the department must receive approval of a planning project and must also receive a "gate" approval before proceeding to the implementation phase.

\$1,280,000 NR

\$150,000 R

**23 Desktop Computer Replacement**

The Information Technology Division provides technology support for approximately 8,000 computers within the department. Because of the large number of existing computers, a four year rotation is planned, resulting in one fourth of all computers being replaced each year. This provides the necessary funding.

\$1,000,000 R

\$1,000,000 R

**24 Document Management System**

Document management refers to the storage, retrieval, tracking and administration of documents within an organization. The term applies to electronic documents and paper-based documents that have been converted to electronic form. Funding is provided for a feasibility study and pre-implementation preparation for a document management system to improve and streamline information access throughout the entire department. The State CIO has approved \$500,000 for a planning project, with a "gate" approval in the project approval and reporting process before allowing the implementation to begin.

\$500,000 NR

**25 Automated Driver License Testing Systems**

The Driver License section has installed automated testing systems in 45 of its busiest offices and will have additional systems installed in 23 more offices by spring of 2005. Provides additional funds to install the system in 34 more sites that are small to medium in customer volume. This will provide automated testing systems for every office that has two or more examiners.

\$185,100 R

\$287,100 R

\$811,760 NR

**(7030) General Services****26 Mail Room Expenses**

\$900,000	R	\$900,000	R
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Provides additional funds to match expenditures for the mail room at DMV. The General Services Division administers the mail room services for the Division of Motor Vehicles. All driver license renewal notifications, vehicle registration renewals, and all other DMV related correspondence are processed by this division.

**27 Division of Motor Vehicles Printing Contract**

\$537,500	R	\$1,075,000	R
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The department's printing and finishing operations are managed by the General Services Division, with the exception of the contract printing and limited finishing services located at the DMV headquarters. The contract for the printing and finishing services expired at the end of 2004. Bids are being solicited for renewal of the existing contractual services in addition to new and expanded services. Provides funding to fully fund the services, including the expanded requirements for additional printing and finishing.

**(7812) Secondary Roads****28 Statutory Adjustment**

\$2,370,000	R	\$4,980,000	R
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In accordance with G.S. 136-44.2A, an adjustment based on estimated gallons of motor fuel sold is necessary to bring the Secondary Roads Construction allocation in line with current forecasts. This increase brings total Highway Fund support for the program to \$91,237,000 in FY 2006.

**(7813) Small Construction****29 Increase Funding**

\$7,000,000	R	\$7,000,000	R
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Provides additional funds to bring the total budget to \$21,000,000, consistent with funding levels for FY 2005.

**(7825) Ferry Operations****30 Funds for Maintenance Facility**

\$1,000,000	R	\$1,000,000	R
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Provides additional funds for the ferry maintenance facility to bring Highway Fund support for the Ferry Division to \$21,264,811.

**(7829) Rail Program****31 Grants to Short Line Railroads**

\$1,000,000	NR		
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Creates a state grant program for rehabilitation projects that will strengthen North Carolina's short line infrastructure.

**(7831) Public Transportation****32 Reduction in New Start Regional Transit Projects**

Delays in federal funding for the Triangle Transit Authority allow the State to postpone providing matching funds. These funds were included in the \$89,866,447 continuation budget for the Public Transportation program.

(\$23,400,000) NR

**(7836) State Aid to Municipalities****33 Statutory Adjustment**

In accordance with G.S.136-41.1, an adjustment based on estimated gallons of motor fuel sold is necessary to bring the Aid to Municipalities allocation in line with current forecasts. This increase brings total Highway Fund support for the program to \$91,237,000 in FY 2006.

\$2,370,000 R \$4,980,000 R

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**Total Legislative Changes**

\$98,345,455 R \$122,991,881 R

\$39,639,770 NR

**Total Position Changes****Revised Budget**\$1,537,144,198 \$1,524,932,802

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**RESERVES/  
DEBT SERVICE/  
ADJUSTMENTS**  
**Section L**

## Reserves, Debt Service and Adjustments

## GENERAL FUND

## Adjusted Continuation Budget

FY 05-06

\$523,532,442

FY 06-07

\$654,263,933

## Legislative Changes

## A. Employee Benefits

**1 State Funded Compensation Increases**

\$181,600,000	R	\$488,100,000	R
\$8,000,000	NR	\$8,500,000	NR

Provide funds to support salary increases for employees of State agencies, departments and universities, community college institutions, and public schools.

**2 Public School Salary Increases**

Certified Teaching, School Based Administrators and Non-certified Personnel in local Public Schools, State agency based Public Schools, and the NC School of Science and Math.

Teachers and Instructional Support - Funds are provided to support an experience based step increase for teachers and instructional support personnel (average salary increase of 1.89%) and an increase in the teacher salary schedule of 0.11% for Fiscal Year 2005-2006 and to support an experienced based step increase (average salary increase of 1.85%) and an increase in the teacher salary schedule of 1.15% for Fiscal Year 2006-2007. Teachers and Instructional support who are at the top of the experience based salary schedule will receive a one-time lump sum bonus in each Fiscal Year equivalent to the average increase from Step 26 to Step 29 (1.58%).

Principals and Assistant Principals - Funds are provided to support an experience based step increase for school based administrators (avg. salary increase of 1.76%) and an increase in the school based administrator salary schedule of 0.24% for Fiscal Year 2005-2006 and to support an experience based step increase (average salary increase of 1.72%) and an increase in the school based administrator salary schedule of 1.28% for Fiscal Year 2006-2007. School based administrators who are at the top of the salary schedule will receive a one-time lump sum bonus equivalent to 2.0% in each Fiscal Year.

All other Public School Personnel - Provide funds to support the greater of a \$500 flat amount or 2.0% annual salary increase in Fiscal Year 2005-2006 and to support a 3.0% annual salary increase in Fiscal Year 2006-2007.

**3 State Agency and University Salary Increases**

Provide funds to support the greater of a \$500 flat amount or 2.0% annual salary increase for full-time permanent employees of agencies, departments, and universities in Fiscal Year 2005-2006 and to support a 3.0% annual salary increase in Fiscal Year 2006-2007.

**4 Community College Salary Increases**

For Fiscal Year 2005-2006, provide funds to support the greater of a \$500 flat amount or 2.0% annual salary increase for full-time permanent employees of local community college institutions supported by the State and funds for an additional 2.0% average salary increase for Community College faculty and professional staff.

For Fiscal Year 2006-2007, provide funds to support a 3.0% annual salary increase for full-time permanent employees of local community college institutions supported by the State.

**5 Minimum Fair Wage for SPA Employees**

\$906,000	R	\$906,000	R
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Funds are provided to support a minimum salary of at least \$20,112 for all permanent, full-time employees subject to the State Personnel Act and to support proportionate increases to permanent full-time employees working schedules requiring less than 12-months service per year.

Funds are also provided to support salary increases to address salary compression and pay inequities created by increasing the salaries of employees to the \$20,112 minimum. Allows adjustments to the salaries of supervisors and other employees who have, when considering classification, significantly more experience and length of service compared to employees receiving an increase in pay to the \$20,112 minimum.

**6 Salary Supplements for Educational Personnel**

\$314,000	R	\$314,000	R
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Allows Departments of Health and Human Services, Juvenile Justice and Delinquency Prevention and Correction to increase the salary supplement currently at 5% to match the supplement of the local educational agencies (LEA's) and/or counties. The supplement will not be below 5% and the increased supplement will not include one-time bonuses provided by LEA's and/or counties.

**7 Coastal Management Division Salary Increases**

\$56,000	R	\$56,000	R
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Funding is provided for fiscal year 2005-2006 and 2006-2007 to increase salaries by 5% for all positions supported with funds appropriated from the General Fund in the Division of Coastal Management.

**8 Salary Increases for NCSU Agricultural Program Employees**

\$2,000,000	R	\$2,000,000	R
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Funds are provided to support salary increases for Agricultural Program Employees who are exempt from the State Personnel Act. Increases shall be allocated to individuals in accordance with rules adopted by the UNC Board of Governors.

**9 Retirement System Contributions**

\$13,810,800	R	\$13,810,800	R
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Increases the State's contribution for fiscal year 2005-06 and 2006-07 to provide a 2% cost-of-living adjustment to retirees of the Teachers' and State Employees' Retirement System. This adjustment is funded in part with actuarial gains within the Retirement System.

**10 Optional Retirement Program - 1-year Vesting**

\$806,200 R

\$806,200 R

Increases the contribution rate to the Teachers' and State Employees' Retirement System for fiscal year 2005-06 and 2006-07 to reduce the vesting period from five-years of service to one-year of service for employees of the University of North Carolina who elect to participate in the Optional Retirement Program.

**11 Retirement System Payback**

\$25,000,000 NR

Continue the repayments of funds withheld from the Retirement System in 2001-02 due to the budget crisis. This is the third year of the five-year payback period.

**12 Disability Income Plan**

\$356,400 R

\$356,400 R

Additional amount needed, after an adjustment to the Continuation Budget in the amount of \$6,230,100 in recurring funds for each year of the biennium, to restore the reductions made during the 2004-05 fiscal year. This increases the State's contribution from 0.445% to 0.52% of payroll as recommended by the Plan's actuary to ensure the Plan is adequately funded.

**13 Death Benefit Trust**

\$899,200 R

\$899,200 R

Additional amount needed, after an adjustment to the Continuation Budget in the amount of \$12,000,000 in recurring funds for each year of the biennium, to restore the reductions made during the 2003-2005 biennium. This restores the State's contribution of 0.16% of payroll as recommended by the Plan's actuary to ensure the Plan is adequately funded.

**14 State Health Plan -- Premium Increase**

\$125,000,000 R

\$167,000,000 R

Effective October 1, 2005, provide a 15.2% premium increase to the Plan to continue non-contributory health benefit coverage for active and retired employees. The remaining financial support to keep the Plan solvent through the 2005-2007 biennium will come from increased fully contributory premiums paid by employees and retired employees to cover their families under the Plan, and a reduction in the Plan's benefits.

**B. Debt Service****15 Adjustment to Debt Service**

(\$1,600,474) R

(\$17,687,140) R

Reduces funds for debt service due to revised estimates for principal and interest payments.

**16 Debt Service Funds for New State Facilities and Land Acquisition**

\$5,958,723 R

\$21,060,827 R

Provides funds to pay debt service requirements associated with various capital improvement and land acquisition projects authorized in S.L.2004-179 (HB 1264). The General Fund will be reimbursed for the payment of debt service requirements for these projects from various special revenue funds as required by the legislation.

**C. Information Technology****17 ITS Rate Restructuring**

(\$3,000,000) R

(\$3,000,000) R

Reduces state agency IT budgets in response to a restructuring of the IT rate schedule and the implementation of a new Enterprise Fee for statewide IT activities through the Office of Information Technology Services. Implementation of the new fee schedule is expected to result in a cost savings for certain agencies that have historically subsidized enterprise-wide IT activities. The amount of anticipated cost-savings is captured in this reduction.

**18 ITS Enterprise Fee Hold Harmless**

\$700,000 R

\$700,000 R

Provides funds to hold affected state agencies harmless as a result of implementing a new Enterprise Fee through the Office of Information Technology Services, as approved by the Office of State Budget and Management.

**19 Information Technology Fund**

\$5,500,000 R

\$5,500,000 R

Provides funds to the Information Technology Fund, established in S.L.2004-129, for the purpose of carrying out statewide IT programs and activities. Statewide activities include IT project management, security, the state web portal, enterprise-wide procurement of software and hardware. In addition to the General Fund appropriation, a new Enterprise Fee to state agencies will be deposited to the IT Fund, as well as, a transfer from the ITS internal service fund. Total funds available for the 2005-2007 biennium are as follows:

	FY2005-06	FY2006-07
General Fund Appropriation	\$6,000,000	\$5,500,000
Trans. from ITS Intern. Serv. Fund	\$5,000,000	
Enterprise Fee to State Agencies	\$5,000,000	\$5,000,000

Total \$16,000,000 \$10,500,000

**20 State Business Infrastructure Project**

\$2,525,000 R

\$2,525,000 R

Provides funds to the Information Technology Fund established in S.L.2004-129 for the Office of State Controller to replace the State's aging personnel and payroll information systems, as part of the State Business Infrastructure Project. This appropriation will fund the initial phase of the HR/Payroll project. The HR/Payroll project is currently projected to finish by July 2007 at a total cost of \$85.7 million in fixed costs and \$7.6 million in recurring costs.

\$15,850,000 NR

**D. Trust Funds****21 Trust Fund for MH/DD/SAS and Bridge Funding Needs**

Provides funds pursuant to G.S.143-15.3D for the purpose of continuing mental health reform efforts.

\$5,000,000 NR

**22 Health and Wellness Trust Fund**

Provides funds to the Health and Wellness Trust Fund for the purpose of operating the Senior Cares prescription drug program. Funds are sufficient to support the program through January 1, 2006, when the federal Medicare Part D prescription drug benefit is available.

\$10,000,000 NR

**E. Other Reserves****23 JDIG Reserve**

Provides funds to a reserve controlled by the Office of State Management and Budget from which money will be periodically transferred to meet the cash requirements of the Job Development Investment Program.

\$3,500,000 R \$7,900,000 R

**24 Reserve for Healthy NC**

Provides funds to the Reserve for Healthy NC, a program to be established in the Department of Insurance. The Department of Insurance will reimburse insurers providing health insurance to small employers in the form of stop loss coverage for excessive medical claims.

\$2,000,000 NR

**25 Reserve for Fuel Costs**

Provides funds for unanticipated increases in diesel fuel costs not included in the continuation budget. The reserve partially offsets the surge in diesel fuel prices that have held since fall of 2004. The Office of State Budget and Management shall allocate these funds to state agencies based on each agency's inability to offset increased fuel costs with other funds.

\$3,000,000 NR

**Total Legislative Changes**

\$339,331,849 R \$691,247,287 R

\$69,350,000 NR \$8,500,000 NR

**Total Position Changes****Revised Budget**

\$932,214,291 \$1,354,011,220

# **CAPITAL**

## **Section M**

## Capital

GENERAL FUND

FY 05-06

FY 06-07

**A. UNC System - Board of Governors****1 UNCG/NC A&T Joint Millennium Campus**

Provides capital improvement funds for UNCG and NC A&T's Joint Millennium Campus, including funds for planning, site development, infrastructure and renovation of facilities.

\$5,000,000 NR

**2 Renaissance Computing Institute**

Provides capital improvement planning funds for a new facility at UNC-Chapel Hill to house the Renaissance Computing Institute. The operating budget for the UNC system also includes \$5.9 million for FY 2005-06 and \$11.8 million for FY 2006-07 in expansion funds for operating the Renaissance Computing Institute.

\$500,000 NR

**3 WSSU Lab Planning Funds**

Provides capital improvement planning funds for a new lab facility at Winston-Salem State University.

\$750,000 NR

**B. Department of Commerce****4 State Ports Authority**

Provides partial funding for the purchase, fabrication, delivery, and installation of two new container cranes for the Port of Wilmington. The total cost for the new cranes is \$17.8 million and the balance will be paid from other sources of funds available to the State Ports Authority.

\$5,000,000 NR

**C. Department of Environment and Natural Resources****5 Water Resources Development Projects**

Provides funds for the state share of Water Resources Development Projects. Projects are specified in a special provision.

\$14,760,000 NR

**D. Department of Health and Human Services****6 State Public Health Lab**

Provides funds to the Department of Health and Human Services for advance capital planning for the replacement facility of the State Public Health Lab in Raleigh.

\$100,000 NR



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**Total Appropriation to Capital**

**\$26,110,000 NR**

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## GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

## Legislative Actuarial Note

RETIREMENT

**BILL NUMBER:** Senate Bill 622 (First Edition)

**SHORT TITLE:** 2005 Appropriations Act.

**SPONSOR(S):** Senator Garrou

**SPECIAL PROVISION:** PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, AND LOCAL RETIREMENT SYSTEM

**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

**PROVISION SUMMARY:** Provides a post-retirement increase of 2% 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 .64% 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	\$51.6M	\$54.1M	\$56.6M	\$59.3M	\$62.1M
Highway Fund	\$ 2.6M	\$ 2.7M	\$ 2.8M	\$ 3.0M	\$ 3.1M
Receipt Funds	<u>\$16.9M</u>	<u>\$17.7M</u>	<u>\$18.5M</u>	<u>\$19.4M</u>	<u>\$20.3M</u>
TOTAL COST	\$71.1M	\$74.4M	\$78.0M	\$81.7M	\$85.6M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.60% 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	\$48.4M	\$50.7M	\$53.1M	\$55.6M	\$58.3M

Highway Fund	\$ 2.4M	\$ 2.5M	\$ 2.6M	\$ 2.8M	\$ 2.9M
Receipt Funds	<u>\$15.8M</u>	<u>\$16.6M</u>	<u>\$17.4M</u>	<u>\$18.2M</u>	<u>\$19.1M</u>
TOTAL COST	\$66.6M	\$69.8M	\$73.1M	\$76.6M	\$80.27M

**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. The appropriation needed is as follows:**

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$13.7M	\$14.4M	\$15.0M	\$15.8M	\$16.5M
Highway Fund	\$ 0.7M	\$ 0.7M	\$ 0.8M	\$ 0.8M	\$ 0.8M
Receipt Funds	<u>\$ 4.5M</u>	<u>\$ 4.7M</u>	<u>\$ 4.9M</u>	<u>\$ 5.2M</u>	<u>\$ 5.4M</u>
Total Appropriation	\$18.9M	\$19.8M	\$20.7M	\$21.7M	\$22.7M

#### Consolidated Judicial Retirement System

Retirement System Actuary: Mellon estimates the cost to be 0.98% of payroll.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$513,520	\$533,599	\$554,462	\$576,142	\$598,669

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.96% of payroll.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$503,040	\$522,709	\$543,147	\$564,384	\$623,507

**There are available gains of 1.51% of payroll in the Consolidated Judicial Retirement System so this can be done with no additional appropriation needed.**

#### Legislative Retirement System

Retirement System Actuary: Charles Dunn estimates the cost to be 0.99% of payroll.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$35,640	\$35,640	\$35,640	\$35,640	\$35,640

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.96% of payroll.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund	\$34,560	\$34,560	\$34,560	\$34,560	\$34,560

#### **ESTIMATED IMPACT:** Local Governmental Employees' Retirement System

Retirement System Actuary: Mellon estimates the cost to be 0.26% 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	\$11.1M	\$11.8M	\$12.4M	\$13.2M	\$14.0M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.24% 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>
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Local Funds                      \$10.2M                      \$10.9M                      \$11.5M                      \$12.2M                      \$12.9M

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.

**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, 2005

**PROVISION 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, Melon, 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.

**SPECIAL PROVISION: INCREASE THE MAXIMUM MONTHLY PENSION 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, 2005

**PROVISION SUMMARY:** Increases the benefit from the North Carolina National Guard Pension Fund from \$50 to \$75 per month for the first 20 years of creditable service and from \$5.00 to \$7.50 per month for each additional year of creditable service with the maximum benefit increased from \$100 to \$150 per month.

**ESTIMATED IMPACT ON STATE:** Both, Mellon, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost will be as follows:

	2005-06	2006-07	2007-08	2008-09	2009-10
Normal Cost	\$ 0.1M	\$ 0.1M	\$ 0.1M	\$ 0.1M	\$ 0.1M
Accrued Liability	<u>\$ 4.4M</u>	<u>\$ 4.4M</u>	<u>\$ 4.4M</u>	<u>\$ 4.4M</u>	<u>\$ 4.4M</u>
Total Annual Cost	\$ 4.5M	\$ 4.5M	\$ 4.5M	\$ 4.5M	\$ 4.5M

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.

**SPECIAL PROVISION: CONFORM RETIREE RETURN TO TEACHING BENEFITS TO IRS GUIDELINES/CLARIFY DEFINITION OF RETIREMENT**

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

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

**EFFECTIVE DATE:** July 1, 2005

**PROVISION SUMMARY:** Extends the law until June 30, 2006 that will allow a teacher to return to teach without reducing their retirement benefits. Requires that a teacher can render no service in the six months immediately prior to returning to service. Also, changes the definition of "retirement" for all members of the Teachers' and State Employees' Retirement System to require that a member completely separate from service for a period of six months with no intent or agreement to return to service. The special provision will require each local school administrative unit to make a contribution to the Retirement System equal to 11.70% of the salary for all retired employees, who are reemployed with that local school administrative unit.

IRS rulings indicate that in order to maintain qualified status, a retirement plan may not pay benefits unless an employee has completely separated from service. The IRS has also indicated that there is not a complete separation from service if the employee and the employer intend or agree that the employee will return to service after some brief period of separation.

**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>
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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

**SPECIAL PROVISION: OPTIONAL RETIREMENT SYSTEM VESTING**

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

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

**EFFECTIVE DATE:** July 1, 2005

**PROVISION SUMMARY:** Reduces the vesting requirement from five years to one year for employees of the University of North Carolina who elect to participate in the Optional Retirement Program. Under existing law, any members who terminate employment with less than five years, who do not retire or continue in same program at another institute, the employer contributions are returned to the Teachers' and State Employees' Retirement System.

Retirement System Actuary: Mellon estimates the average amount over the last five year to be \$1.6 million and this amount would be lost if vesting is reduced from five years to one year..

General Assembly Actuary: Hartman & Associates estimates the cost to be approximately \$1,250,000 per year.

**SPECIAL PROVISION: INCREASE BENEFIT/SHERIFFS' SUPPLEMENT PENSION FUND**

**FUNDS AFFECTED:** General Fund/Court cost

**SYSTEM OR PROGRAM AFFECTED:** Sheriffs' Supplemental Pension Plan

**EFFECTIVE DATE:** July 1, 2005

**PROVISION SUMMARY:** Increases the court cost that is directed to the Sheriff's Supplemental Pension Plan from \$ .75 to \$1.25 and increases the maximum monthly benefit payable from \$1,200 to \$1,500.

General Assembly Actuary: Hartman & Associates says that the benefit amounts are directly dependent on the value of assets in the Fund and are re-determined each year, no additional liabilities or funding requirements are created for the Fund. If sufficient assets are not available, the payment to retired sheriffs will be reduced.

## **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.

**Firemen's and Rescue Squad Workers' 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 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.

**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, 2003 actuarial valuation of the fund. The data included 7,281 active members, 6,813 former members entitled to deferred benefits and 2,319 retired members in receipt of annual pensions totaling \$2.2 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.

**Sheriff's Supplemental Pension Fund:** The Fund was created in 1985 and provides a supplemental benefit based on the total number of years of all retired sheriffs that meet the qualifications to receive a benefit. The qualifications are:

1. age 55 with 10 years as the sheriff,
2. 30 years of service with 10 years as the sheriff,
3. disability retirement with 10 years as the sheriff.

Presently there are 79 retired sheriffs receiving benefits from the Fund. The annual benefit is \$743,400.

**SOURCES OF DATA:** System Actuary - Mellon  
General Assembly Actuary - 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** *Stanley Moore*

**APPROVED BY:**

**DATE:** May 2, 2005

**Mellon**

Human Resources &amp; 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

EAM:sh

F:\North Carolina Teachers\2005 Correspondence\Proposal - 1% COLA.doc  
287 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

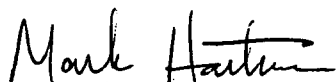
Mr. Stanley Moore  
February 11, 2005

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,

A handwritten signature in cursive script, appearing to read "Mark Hartman".

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

**Mellon**

Human Resources &amp; 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.



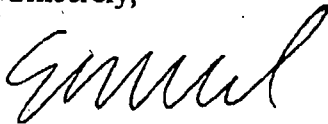
Mr. J. Brett Joyal  
February 1, 2005  
Page 2

**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

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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:

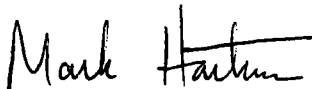
You have requested the cost of a \$1.00 increase in the monthly retirement benefit in the Firemen's and Rescue Squad Workers' Pension Fund (FRSW). Currently, the FRSW provides a retirement benefit of \$161 per month for current and future retirees. This provision would become effective July 1, 2005.

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



April 27, 2005

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

**Draft Special Provision – 2005 – CCPS – S7**

Dear Mr. Joyal:

We have received your letter of April 21 regarding Draft Special Provision – 2005 – CCPS – S7 which affects the National Guard Pension Fund.

This proposal revises G.S. 127A-40(a) by increasing the base pension for every member and former member who meets the requirements from \$50.00 per month to \$75.00 per month for 20 years of creditable military service; the pension increase for each additional year of military service will be raised from \$5.00 per month to \$7.50 per month; the maximum pension allowed will be increased under this legislation from \$100.00 per month to \$150.00 per month.

Our cost estimate for this proposal is based on the Fund's valuation as of December 31, 2003, including a funding basis of nine years for liquidation of unfunded accrued liabilities. The annual cost of this proposal is \$4,543,254. Therefore, this proposal would require an additional appropriation of \$4,543,254 for the 2005-06 fiscal year. The following table shows the required annual contribution for this proposal.

**ADDITIONAL ANNUAL CONTRIBUTIONS PAYABLE BY THE STATE  
FOR INCREASE IN PENSIONS UNDER DRAFT SPECIAL PROVISION – 2005 – CCPS – S7  
FOR CURRENT AND FUTURE RETIRED MEMBERS**

Additional contribution:	
Normal	\$ 143,654
Accrued liability	4,399,600
Total	\$ 4,543,254

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

Sincerely,

Edward A. Macdonald  
Principal, Consulting Actuary

EAM:sh

P:\North Carolina National Guard\2005RetirementCorrespondence\Draft Special Provision - 2005 - CCPS - S7.doc  
3839 RIT03-180

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# HARTMAN & ASSOCIATES, LLC

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668 Link Road  
Lexington, NC 27295

April 21, 2005

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

Re: Special Provision: Increase the Maximum Monthly Pension for  
Retired Members of the North Carolina National Guard

Dear Mr. Moore:

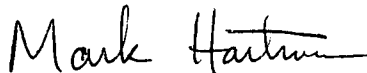
This provision would amend G.S. 127A-40(a) to increase the retirement benefits payable from the North Carolina National Guard Pension Fund. Currently, the Fund provides a benefit for eligible retired members of \$50 per month for 20 years of creditable service plus \$5 per month for each additional year of service, subject to a maximum benefit of \$100 per month. This special provision would increase the retirement benefit to \$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. I have assumed an effective date of July 1, 2005.

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, 2005 is \$4,541,189.

This estimate is based on the data contained in the most recent actuarial valuation prepared as of December 21, 2003.

If you have any questions, let me know.

Sincerely,



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

MVH/mt



Human Resources &amp; Investor Solutions

April 28, 2005

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

**Draft Special Provision – 2005 EMP S9**

Dear Mr. Joyal:

We have received your request of April 26 regarding Draft Special Provision – 2005 EMP S9 which affects the Teachers' and State Employees' Retirement System and the Optional Retirement Program for state institutions of higher education.

This proposal appears to amend 5.1(b)(5) to change the vesting requirement under the Optional Retirement Program (ORP) from five years to one year of coverage.

The statute provides that employer contributions that have been made under the ORP on behalf of members who terminate employment before they are vested are to be transferred to the Teachers' and Employees Retirement System. This amount has averaged \$1.6 million over the last five years. Reducing the vesting period from five years to one year would reduce the amount of employer contributions that would be transferred to the Retirement System.

Although the impact of future transferred contributions is not reflected in determining the contribution rate under the Retirement System, the actual amounts transferred are included in the assets of the System after they are received. The impact on the Retirement System, of reducing the amount transferred, would be the loss of gains that would otherwise occur.

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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PA1 Retirement\North Carolina Teachers\2005\Correspondence\Draft Special Provision - 2005 EMP S9.doc  
387 RET03-180

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# HARTMAN & ASSOCIATES, LLC

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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 25, 2005

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

Re: Special Provision: Optional Retirement System Vesting

Dear Mr. Moore:

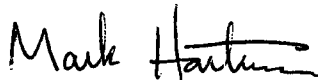
This special provision would amend G.S. 135-5.1(b) to reduce the vesting service requirement from five years to one year under the Optional Retirement Program (ORP) for employees of the University of North Carolina. If a non-vested member terminates employment, he forfeits his interest in the ORP attributable to contributions of the University. These forfeitures are paid to the Teachers' and State Employees' Retirement System (TSERS) and credited to the pension accumulation fund.

Reducing the amount of service required for vesting in the ORP would reduce the amount of forfeitures paid to the TSERS. I have estimated the annual cost to the TSERS at approximately \$1,250,000.

This estimate is based on historical data on the amount of ORP forfeitures for 2001-2004.

If you have any questions, let me know.

Sincerely,



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

MVH/mt

**Mellon****Human Resources & Investor Solutions**

April 29, 2005

Mr. J. Brett Joyal  
Policy Director  
Retirement Systems Divisions  
Department of State Treasurer  
325 North Salisbury Street  
Raleigh, NC 27603-1388

**Draft Special Provisions – 2005 EMP S1A and 2005 EMP S5**

Dear Mr. Joyal:

We have received your request of April 25 regarding two Draft Special Provisions – 2005 EMP S1A and 2005 EMP S5 which affect the North Carolina Teachers' and State Employees' Retirement System.

2005 EMP S1A appears to amend the earnings exemption that was implemented in January 1999, that applies to a member who has been retired at least six months, to require that the retired teacher may not have been employed during that time with a public school in any capacity. In addition, this proposal renews the salary cap exemption until June 30, 2006. It is currently slated to sunset on June 30, 2005.

The cost of extending the salary cap exemption occurs because some members retire earlier than they otherwise would have to take advantage of the exemption. Each year that the sunset is extended, additional members retire and a new cost is generated.

The additional increase in the unfunded accrued liability that would occur due to this one-year extension of the sunset is \$17,000,000. If this cost is amortized over a 9-year period, the cost of this legislation is estimated to be 0.03% of payroll for a 9-year period, or approximately \$3,300,000 in the first year, based on estimated state payroll of \$11.1 billion for the 2005/2006 fiscal year. The estimated cost of legislation that extends the sunset date will vary from year to year. In addition, as the sunset provisions continue to be extended, future requirement patterns will continue to change and, therefore, the assumptions used to value this proposal will likely need to be change in the future.

2005 EMP S5 appears to clarify the definition of retirement in G.S. 135-1(20) to exclude any service, including part-time, temporary, substitute or contractor service during the six months after the effective date of retirement. In addition, this proposal would require that there be no intent or agreement for the retired member to return to service.

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Mr. J. Brett Joyal  
April 29, 2005  
Page 2

Currently, members can return to work immediately upon retirement subject to the earning restrictions in G.S. 135-3(8)c. Under this proposal, all members would have to wait six months before returning to work in any capacity. This could have an impact on future retirement patterns. However, there is not enough data available to determine the impact of this proposal at this time.

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

Sincerely,

*Ed Macdonald by ct*

Edward A. Macdonald  
Principal, Consulting Actuary

EAM:sh

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387 RET03-180



# HARTMAN & ASSOCIATES, LLC

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

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668 Link Road  
Lexington, NC 27295

April 25, 2005

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

Re: Special Provision: Retired Teachers Returning to the Classroom

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 special provision would extend the exclusion of earnings when reemployed to teach until June 30, 2006, with modification. This provision would require that to be exempt from the earnings test, the member was not employed in any capacity during the six months preceding reemployment, elimination the current exception for substitute teaching or part-time tutoring. Further, this provision would require each local school administrative unit to pay to the TSERS a Reemployed Teacher Contribution Rate of 11.7% of the salary of retired teachers who are exempt from the earnings cap. This provision would become effective June 30, 2005.

Extending the earnings exclusion for reemployment will likely accelerate the retirement of members who could then return to work without losing retirement benefits. However, the requirement that the member not be employed in any capacity with a public school during the six month period will reduce the likelihood of reemployment. Additionally, the Reemployed Teacher Contribution is expected to fund the cost of accelerated benefits. Because of these factors, the changes under this special provision are not expected to create a cost to the TSERS.

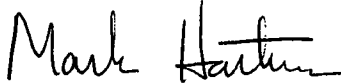
Mr. Stanley Moore  
April 25, 2005

Page 2

This estimate is based on the most recent actuarial valuation prepared as of December 31, 2003, and data you provided on TSERS members who are teachers and are eligible to retire.

If you have any questions, let me know.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mark Hartman".

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

MVH/mt

# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

April 26, 2005

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

Re: Special Provision: Clarify Definition of Retirement

Dear Mr. Moore:

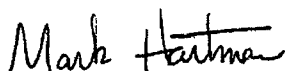
This special provision would amend G.S. 135-1(20) to modify the definition of retirement in the Teachers' and State Employees' Retirement System (TSERS). This change will become effective July 1, 2005 but would not apply to participants in the UNC Phased Retirement Program until June 30, 2007.

Currently, retirement is defined as withdrawal from active service with a retirement allowance. For retirement to become effective in any month, the member must not render any service during that month. This provision would change the definition to be "the termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service." Also, the member must render no service, including part-time, temporary, substitute or contractor service during the six months immediately following retirement.

These changes may cause some plan members to delay retirement since they would not be allowed to return to work for six months and receive a retirement allowance. While we do not anticipate a significant financial impact in the TSERS, a delay in retirement typically produces a savings. Additionally, these changes may be necessary to enable the plan's retirement provision to meet the requirements for a qualified retirement plan under the Internal Revenue Code.

If you have any questions, let me know.

Sincerely,



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

MVH/jj

# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

April 29, 2005

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

Re: Special Provision: Increase the Benefit in the Sheriff's  
Supplemental Pension Fund

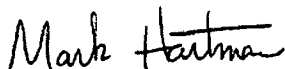
Dear Mr. Moore:

This provision would amend G.S. 143-166.85(a) to increase the maximum retirement benefit payable from the Sheriff's Supplemental Pension Fund. Currently, the Fund provides a benefit for eligible retired members equal to a per share value multiplied by the member's years of creditable service. The share value is determined by dividing the Fund's distributable assets by the total years of service for all retired members. The benefit, when added to the retirement allowance from the LGERS, may not exceed 75% of the member's annual salary at retirement, and is further limited to \$1,200 per month. This special provision would increase the limit to \$1,500 per month. This provision would also amend G.S. 7A-304(a) (3a) to increase the contribution rate to the Fund from \$0.75 per court case to \$1.25. I have assumed an effective date of July 1, 2005.

These changes would increase the retirement benefit for both current and future retired members of the Fund. However, since the benefit amounts are directly dependent on the value of assets in the Fund and are re-determined each year, no additional liabilities or funding requirements are created for the Fund. The increased funding is expected to produce increases in the per share amounts in future years.

This estimate is based on the data contained in the 2003 Sheriff's Supplemental Pension Fund Annual Report and the data you provided on 79 current retired members. If you have any questions, let me know.

Sincerely,



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

MVH/mt

## MINUTES

### SENATE PENSIONS & RETIREMENT AND AGING

June 1, 2005

The Senate Pensions & Retirement and Aging Committee met on Wednesday, June 1, 2005 at 9:00 a.m. in 643 of the Legislative Office Building. There were 46 members present. Senator Linda Garrou called the meeting to order. She introduced the following Pages: Hannah Martin and Bailey Johnson, both sponsored by Senator Forrester.

The first agenda item was Senate Bill 32, sponsored by Senator Hoyle. Senator Hoyle briefed the Committee on Senate Bill 32. The Short Title of Senate Bill 32: ***Fire and Rescue Pension Election***. The Long Title: ***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.*** (Please see Attachment 1). The Legislative Actuarial Note is included as Attachment 2 and the Legislative Summary as Attachment 3.

Following Senator Hoyle's briefing, Senator Forrester made a motion for a Favorable Report for Senate Bill 32. The Committee concurred. Senate Bill 32 was passed with a ***Favorable Report***.

Senator Kay Hagan, Co-Chair continued the meeting by recognizing Senator Doug Berger to explain Senate Bill 148. Senator Berger explained the bill to the Committee. The Short Title of SB 148: ***Death Benefit for Part-Time Law Enforcement***. The Long Title: ***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.*** (Please see Attachment 4).

Senator Linda Garrou introduced an Amendment to SB 148. The Amendment proposed changing the effective date from July 1, 2005 to November 1, 2004. The Amendment passed unanimously. (Please see Attachment 5).

Senator Hagan introduced the following individuals who spoke in support of Senate Bill 148 and the Amendment:

- . Sheriff Dane Mastin  
Wilkes County Sheriff  
President of the North Carolina Sheriffs Association
- . Mr. Don Penix  
President of the Fraternal Order of Police
- . Ms. Colleen Kochanek  
North Carolina Association of Chiefs of Police  
North Carolina Law Enforcement Officers Association
- . Mr. John Midgette  
Executive Director of the Police Benevolent Association

Senator Hagan recognized Senator East. Senator East expressed his gratitude to both Senator Doug Berger and Senator Garrou for their support of Senate Bill 148.

Senator Hagan thanked all who spoke on behalf of Senate Bill 148.

Senator Doug Berger made a motion that ***Senate Bill 148 be Unfavorable as to Bill, but Favorable as to Committee Substitute Bill.*** The motion carried. The Proposed Committee Substitute Bill is attached. *(Please see Attachment 6)*. The Legislative Actuarial Note and the Legislative Summary are attached. *(Please see Attachments 7 & 8)*.

Senator Garrou resumed presiding and recognized Mr. Stanley Moore, Fiscal Analyst to explain Senate Bill 383. Mr. Moore briefed the Committee on the Actuarial Note pertinent to Senate Bill 383. *(Please see Attachment 9)*. The Short Title of SB 383: ***Amend Winston-Salem Firemen's Retirement Fund.*** The Long Title: ***An Act to Amend the Law Establishing the Winston-Salem Firemen's Retirement Fund.*** *(Please see Attachment 10)*. The Legislative Summary is included as Attachment 11).

Senator Bingham made a motion that ***Senate Bill 383 be given a Favorable Report.*** The motion carried.

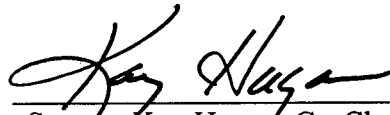
Senator Garrou introduced Representative Bell to explain House Bill 710. Representative Bell reported that this bill was a technical corrections bill for the retirement system. He responded to a few questions. The Short Title of HB 710: ***Retirement Systems Technical Corrections.-AB.*** The Long Title: ***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.*** (Please see Attachment 12).

Senator Weinstein made a motion to give ***HB 710 a Favorable Report.*** The motion carried.

Mr. Stanley Moore, Fiscal Analyst briefed the Committee on the Legislative Actuarial Note (Please see Attachment 13). The Legislative Summary is included as Attachment 14.


Senator Garrou thanked the Committee and the North Carolina Sheriffs Association members who had attended. She adjourned the meeting.

  
Senator Linda Garrou, Co-Chair

  
Senator Kay Hagan, Co-Chair

  
Senator Walter Dalton, Co-Chair

  
Senator Austin Allran, Co-Chair

  
Christina K. Minard, Senate  
Committee Assistant

**NORTH CAROLINA GENERAL ASSEMBLY  
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT**

**Senator Linda Garrou, Co-Chair  
Senator Walter H. Dalton, Co-Chair  
Senator Kay R. Hagan, Co-Chair  
Senator Austin M. Allran, Co-Chair**

Wednesday, June 01, 2005

Senator GARROU,  
Submits the following with recommendations as to passage:

**FAVORABLE**

S.B.	<b>32</b>	Fire and Rescue Pension Election.	
		Sequential Referral:	None
		Recommended Referral:	None
S.B.	<b>383</b>	Amend Winston-Salem Firemen's Retirement Fund.	
		Sequential Referral:	None
		Recommended Referral:	None
H.B.(CS #1)	<b>710</b>	Retirement Systems Technical Corrections.-AB	
		Sequential Referral:	None
		Recommended Referral:	None

**UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE  
BILL**

S.B.	<b>148</b>	Death Benefit for Part-Time Law Enforcement.	
		Draft Number:	PCS55249
		Sequential Referral:	Appropriations/Base Budget
		Recommended Referral:	None
		Long Title Amended:	Yes

TOTAL REPORTED: 4

Committee Clerk Comments:



GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005

S

1

SENATE BILL 32\*

Short Title: Fire and Rescue Pension Election. (Public)

Sponsors: Senators Hoyle; Dalton, Malone, Rand, Snow, Swindell, Thomas, and Weinstein.

Referred to: Pensions & Retirement and Aging.

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

## GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

## Legislative Actuarial Note

RETIREMENT

**BILL NUMBER:** Senate Bill 32 (First Edition)

**SHORT TITLE:** Fire and Rescue Pension Election.

**SPONSOR(S):** Senator Hoyle

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**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.

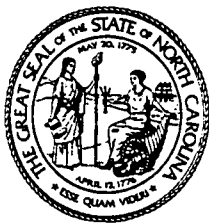
**PREPARED BY:** Stanley Moore

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



**DATE:** February 17, 2005

**Signed Copy Located in the NCGA Principal Clerk's Offices**



## SENATE BILL 32: Fire and Rescue Pension Election

### BILL ANALYSIS

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<b>Committee:</b>	Senate Pensions & Retirement and Aging	<b>Date:</b>	June 1, 2005
<b>Introduced by:</b>	Sen. Hoyle	<b>Summary by:</b>	Theresa Matula
<b>Version:</b>	First Edition		Committee Staff

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**SUMMARY:** *Senate Bill 32 provides that a member may terminate membership in the North Carolina Firemen's and Rescue Squad Workers' Pension Fund and request a refund; it also repeals the provision that forfeits membership when a member is six months delinquent in making payments to the Fund, and further specifies that delinquency in making payments does not result in termination of membership.*

### CURRENT LAW:

G.S. 58-86-85 currently provides that any member of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund who becomes six months delinquent in making monthly payments, shall forfeit membership.

### BILL ANALYSIS:

Section 1 of Senate Bill 32 repeals the membership forfeiture provision for delinquent payments contained in G.S. 58-86-85.

Sections 2 and 3 establish the same provision for firemen and for rescue squad workers, allowing a member of the Firemen's and Rescue Squad Workers' Pension Fund to elect to terminate membership in the fund at any time and request the refund of payments previously made. The provision also specifies that a member's delinquency in making payments does not result in the termination of membership.

This bill is effective when it becomes law.

S0032e1-SMSH

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 which is eligible for membership in the North Carolina Association of Rescue Squads, Inc., and the person must have attended a minimum of 36 hours of training and meetings in the last calendar year. Each rescue squad belonging to the North Carolina Association of Rescue

Squads, Inc., must file a roster of those members meeting the above requirements with the State Treasurer on or about January 1 of each year, and this roster must be certified to by the secretary of said association. In addition, the term "rescue squad worker" shall mean a member of an ambulance service certified by the Department of Health and Human Services pursuant to Article 7 of Chapter 131E of the General Statutes. The Department of Health and Human Services shall furnish a list of ambulance service members to the State Treasurer on or about January 1 of each year. The term "Civil Air Patrol members" shall mean those senior members of the North Carolina Wing-Civil Air Patrol 18 years of age or older and currently certified pursuant to G.S. 143B-491(a). The term "fireman" shall also mean county fire marshals when engaged in the performance of their county duties. The term "rescue squad worker" shall also mean county emergency services coordinators when engaged in the performance of their county duties."

**SECTION 2.** This act becomes effective July 1, 2005, and applies to all deaths occurring on or after that date.

## NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

ATTACHMENT 5

(Please type or use ballpoint pen)

EDITION No. 1

H. B. No. \_\_\_\_\_

DATE \_\_\_\_\_

S. B. No. 148

Amendment No. \_\_\_\_\_

COMMITTEE SUBSTITUTE \_\_\_\_\_

(to be filled in by  
Principal Clerk)

Rep.)

Sen.)

Linda Harrow1 moves to amend the bill on page 2, line 17

2 ( ) WHICH CHANGES THE TITLE

3 by deleting the words4 "July 1, 2005," and substituting the5 words "November 1, 2004,"

6 \_\_\_\_\_

7 \_\_\_\_\_

8 \_\_\_\_\_

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SIGNED

Linda Harrow

ADOPTED \_\_\_\_\_ FAILED \_\_\_\_\_ TABLED \_\_\_\_\_

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)



**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005**

S

D

**SENATE BILL 148  
PROPOSED COMMITTEE SUBSTITUTE S148-PCS55249-RO-31**

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 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 November 1, 2004, and applies to  
18 all deaths occurring on or after that date.

## GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

## Legislative Actuarial Note

RETIREMENT

**BILL NUMBER:** Senate Bill 148 (First Edition)

**SHORT TITLE:** Death Benefit for Part-Time Law Enforcement.

**SPONSOR(S):** Senator Berger of Franklin

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**FUNDS AFFECTED:** General Fund

**SYSTEM OR PROGRAM AFFECTED:** Law-Enforcement Officers', Firemen's, Rescue Squad Workers' and Civil Air Patrol Members' Death Benefit

**EFFECTIVE DATE:** July 1, 2005

**BILL SUMMARY:** Extends the line-of-duty death benefit of \$50,000 to permanent part-time or temporary law enforcement officers and to all full-time, permanent part-time or temporary detention officers employed by any county or municipality, whether paid or unpaid.

**ESTIMATED IMPACT ON STATE:** Both the Plan's actuary, Mellon, and the General Assembly's actuary, Hartman & Associates, LLC, agree that the cost to cover these members under the death benefit would cost an additional \$100,000 per year.

**ASSUMPTIONS AND METHODOLOGY:** There would be an estimated 14,700 additional persons covered by the Plan. The estimated cost is based on the experience of the Plan over period of time. The experience is shown as follows.

**\$50,000 Death Benefit for Law Enforcement Officers,  
Firemen Rescue Squad Workers, Civil Air Patrol  
Members & State Forestry Employees  
(G. S. 143, Article 12A)**

<b>Fiscal Year</b>	<b>Beginning Claims Payable</b>	<b>New Claims No.</b>	<b>Amount</b>	<b>Total Claims Payable</b>	<b>Claims Paid</b>	<b>Ending Claims Payable</b>
75-76	160,000	25	325,000	485,000	265,000	220,000
76-77	220,000	18	242,500	462,500	262,500	200,000
77-78	200,000	22	250,000	450,000	225,000	225,000
78-79	225,000	14	345,000	570,000	307,150	262,850
79-80	262,850	11	275,000	537,850	332,850	205,000
80-81	205,000	7	175,000	380,000	250,000	130,000
81-82	130,000	9	225,000	355,000	255,350	99,650
82-83	99,650	3	75,000	174,650	84,650	90,000
83-84	90,000	5.5	137,500	227,500	147,500	80,000
84-85	80,000	7.2	180,000	260,000	145,000	115,000
85-86	115,000	9	225,000	340,000	235,000	105,000
86-87	105,000	9	225,000	330,000	195,000	135,000
87-88	135,000	6	150,000	285,000	180,000	105,000
88-89	105,000	5	125,000	230,000	115,000	115,000
89-90	115,000	3	75,000	190,000	110,000	80,000
90-91	80,000	3	75,000	155,000	80,000	75,000
91-92	75,000	9	225,000	300,000	165,000	135,000
92-93	135,000	8	200,000	335,000	180,000	155,000
93-94	155,000	6	150,000	305,000	200,000	105,000
94-95	105,000	5	125,000	230,000	140,000	90,000
95-96	90,000	7	175,000	265,000	150,000	115,000
96-97	115,000	6	150,000	265,000	160,000	105,000
97-98	105,000	4	100,000	205,000	100,000	105,000
98-99	105,000	9	225,000	330,000	120,000	210,000
99-00	210,000	12	300,000	510,000	250,000	260,000
00-01	260,000	7	175,000	435,000	210,000	225,000
01-02	225,000	6	150,000	375,000	180,000	195,000
02-03	195,000	12	300,000	495,000	270,000	225,000
03-04	225,000	14	550,000	775,000	370,000	405,000
04-05	405,000					

**2004-05 Estimated Coverage**

<b>Law Officers</b>	
<b>(State &amp; Local Gov't.)</b>	<b>20,575</b>
<b>Firemen (Paid &amp; Volunteer)</b>	<b>42,864</b>
<b>Rescue Squad Workers</b>	<b>22,798</b>
<b>Correctional Custody Officers</b>	<b>13,528</b>
<b>Forest Firefighters</b>	<b>700</b>
<b>CAP Senior Members</b>	<b>863</b>
<b>Dept. of Insurance Employees</b>	<b>26</b>
<b>TOTAL</b>	<b>101,354</b>

**SOURCES OF DATA:** System Actuary - Mellon  
General Assembly Actuary - Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** None

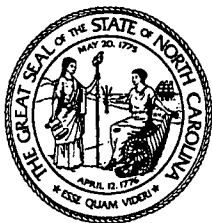
**FISCAL RESEARCH DIVISION:** (919) 733-4910. The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**PREPARED BY:** Stanley Moore

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

**DATE:** March 15, 2005  
Signed Copy Located in the NCGA Principal Clerk's Offices





## SENATE BILL 148: Death Benefit for Part-Time Law Enforcement

### BILL ANALYSIS

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<b>Committee:</b>	Pensions & Retirement and Aging. If fav, re- ref to Appropriations/Base Budget	<b>Date:</b>	May 31, 2005
<b>Introduced by:</b>	Sen. Berger of Franklin	<b>Summary by:</b>	Karen Cochrane-Brown
<b>Version:</b>	First Edition		Committee Counsel

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**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.

This bill would become effective July 1, 2005, and apply to all deaths of eligible members occurring on or after that date.

S0148e1-SMRO

## 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

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**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

**DATE:** April 4, 2005

Official  
Fiscal Research Division  
Publication

**Signed Copy Located in the NCGA Principal Clerk's Offices**



**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.

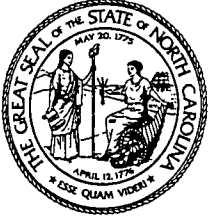
The General Assembly of North Carolina enacts:

**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.



## SENATE BILL 383: Amend Winston-Salem Firemen's Retirement Fund

### BILL ANALYSIS

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<b>Committee:</b>	Senate Pensions & Retirement and Aging	<b>Date:</b>	June 1, 2005
<b>Introduced by:</b>	Sen. Horton	<b>Summary by:</b>	Theresa Matula
<b>Version:</b>	First Edition		Committee Staff

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**SUMMARY:** *Senate Bill 383 amends the law regarding the Winston-Salem Firemen's Retirement Fund to provide that if at any time there are not sufficient assets to fully pay the benefits, individuals shall be paid benefits on a pro rata basis to the extent the assets of the fund will allow and as determined by the Trustees acting on the advice of the Association's actuary.*

### BILL ANALYSIS:

Senate Bill 383 amends the Winston-Salem Firemen's Retirement Fund to provide that if at any time there are not sufficient assets to fully pay the benefits, individuals shall be paid benefits on a pro rata basis to the extent the assets of the fund will allow and as determined by the Trustees acting on the advice of the Association's actuary. The bill removes the previous requirement that the fund shall not be less than 130% of the present value of the current retirees determined as of the close of that fiscal year. The bill further specifies that these provisions do not create an additional liability for the Firemen's Retirement Fund unless sufficient funds are available to pay fully for the liability.

This act becomes effective July 1, 2005.

S0383e1-SMSH

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005**

H

2

**HOUSE BILL 710  
Committee Substitute Favorable 5/5/05**

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 date of withdrawal through the year of repayment and thereby increase his creditable service in this System by the amount of creditable service lost when his account was closed.

On or after July 1, 1979, a member who has obtained 60 months of aggregate service, or five

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

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

**SECTION 2.** G.S. 135-5(g) reads as rewritten:

"(g) Election of Optional Allowance. – With the provision that until the first payment on account of any benefit becomes normally due, or his first retirement check has been cashed, any member may elect to receive his benefits in a retirement allowance payable throughout life, or he may elect to receive the actuarial equivalent of such retirement allowance in a reduced allowance payable throughout life under the provisions of one of the options set forth below. The election of Option 2 or Option 3 or nomination of the person thereunder shall be revoked if such person nominated dies prior to the date the first payment becomes normally due or until the first retirement check has been cashed. Such election may be revoked by the member prior to the date the first payment becomes normally due or until his first retirement check has been cashed. Provided, however, in the event a member has elected Option 2 or Option 3 and nominated his or her spouse to receive a retirement allowance upon the member's death, and the spouse predeceases the member after the first payment becomes normally due or the first retirement check has been cashed, if the member remarries he or she may request to nominate a new spouse to receive the retirement allowance under the previously elected option by written designation duly acknowledged and filed with the Board of Trustees within 120 days of the remarriage. ~~remarriage, and may nominate a new spouse to receive the retirement allowance under the previously elected option by written designation duly acknowledged and filed with the~~ The new nomination shall be effective on the first day of the month in which it is made and shall provide for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new nomination. Any member having elected Options 2, 3, or 6 and nominated his or her spouse to receive a retirement allowance upon the member's death may, after divorce from his or her spouse, revoke the nomination and elect a new option, effective on the first day of the month in which the new option is elected, providing for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new option.

Option 1.(a) In the Case of a Member Who Retires prior to July 1, 1963. – If he dies before he has received in annuity payments the present value of his annuity as it was at the time of his retirement, the balance 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.

- (b) In the Case of a Member Who Retires on or after July 1, 1963, but prior to July 1, 1993. – If he dies within 10 years from his retirement date, an amount equal to his accumulated contributions at retirement, less 1/120 thereof for each month for which he has received a retirement allowance payment, 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; or

Option 2. Upon his death his reduced retirement allowance shall be continued throughout the life of and paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees at the time of his retirement, provided that if the person selected is other than his spouse the reduced retirement allowance payable to the member shall not be less than one half of the retirement allowance without optional modification which would otherwise be payable to him; or

Option 3. Upon his death, one half of his reduced retirement allowance shall be continued throughout the life of, and paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees at the time of his retirement; or

Option 4. Adjustment of Retirement Allowance for Social Security Benefits. – Until the first payment on account of any benefit becomes normally due, any member may elect to convert his benefit otherwise payable on his account after retirement into a retirement allowance of equivalent actuarial value of such amount that with his benefit under Title II of the Federal Social Security Act, he will receive, so far as possible, approximately the same amount per year before and after the earliest age at which he becomes eligible, upon application therefor, to receive a social security benefit.

Option 5. For Members Retiring Prior to July 1, 1993. – The member may elect to receive a reduced retirement allowance under the conditions of Option 2 or Option 3, as provided for above, with the modification that if both he and the person nominated die within 10 years from his retirement date, an amount equal to his accumulated 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, paid from the month following the month in which payment was received to the death of the retiree.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the increase in the retirement allowance attributable to the additional creditable service paid to the retiree and the designated survivor combined equals the cost of the creditable service purchased less the administrative fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time such payment falls due, otherwise to the retiree's legal representative."

**SECTION 4.** Article 1 of Chapter 135 is amended by adding a new section to read:

**"§ 135-10.1. Failure to respond.**

If a member fails to respond in any way within 90 days after preliminary option figures and Form 6-E, Election of Benefits, are mailed, the Form 6, Application for Service, Early or Disability Retirement, shall be null and void; the retirement system shall not be liable for any benefits due on account of the voided application, and a new application must be filed establishing a subsequent effective date of retirement. If an applicant for disability retirement fails to furnish requested additional medical information within 90 days following such request, the application shall be declared null and void under the same conditions outlined above, unless the applicant is eligible for early or service retirement in which case the application shall be processed accordingly, using the same effective date as would have been used had the application for disability retirement been approved."

**SECTION 5.** G.S. 135-64(c) reads as rewritten:

"(c) In the event of the death of a former member while in receipt of a retirement allowance under the provisions of ~~G.S. 135-58 or 135-60 (but not 135-61)~~, G.S. 135-58, 135-60, or 135-61, if such former member is not survived by a spouse to whom a retirement allowance is payable under the provisions of subsection (a) or subsection (b) above, nor survived by a

beneficiary to whom a monthly survivorship benefit is payable under one of the optional modes of payment under G.S. 135-61, there shall be paid to such person as the member shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions of the member at his date of retirement over the total of the retirement allowances paid to him prior to his death."

**SECTION 6.** G.S. 135-64(d) reads as rewritten:

"(d) In the event that a retirement allowance becomes payable to the spouse of a former member under the provisions of subsection (a) or subsection (b) above, ~~provided that the member's retirement allowance had not been paid~~ or to the designated survivor of a former member under one of the optional modes of payment under G.S. 135-61, and such retirement allowance to the spouse shall terminate on the remarriage or death of the ~~spouse-spouse, or on the death of the designated survivor~~, before the total of the retirement allowances paid to the former member and his spouse or designated survivor combined equals the amount of the member's accumulated contributions at his date of retirement, the excess of such accumulated contributions over the total of the retirement allowances paid to the former member and his spouse or designated survivor combined shall be paid in a lump sum to such person as the member shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time such payment falls due, otherwise to the former member's legal representatives."

**SECTION 6.1.** G.S. 135-106(a) reads as rewritten:

"(a) **(Effective until August 1, 2005)** Upon the application of a beneficiary or participant or of his legal representative or any person deemed by the Board of Trustees to represent the participant or beneficiary, any beneficiary or participant who has had five or more years of membership service may receive long-term disability benefits from the Plan upon approval by the Board of Trustees, commencing on the first day succeeding the conclusion of the short-term disability period provided for in G.S. 135-105, provided the beneficiary or participant makes application for such benefit within 180 days after the short-term disability period ceases, after salary continuation payments cease, or after monthly payments for Workers' Compensation cease, whichever is later; Provided, that the beneficiary or participant withdraws from active service by terminating employment as a teacher or State employee; Provided, that the Medical Board shall certify that such beneficiary or participant is mentally or physically incapacitated for the further performance of duty, that such incapacity was incurred at the time of active employment and has been continuous thereafter, that such incapacity is likely to be permanent; Provided further that the Medical Board shall not certify any beneficiary or participant as disabled who is in receipt of any payments on account of the same incapacity which existed when the beneficiary first established membership in the Retirement System. The Board of Trustees may extend this 180-day filing requirement upon receipt of clear and convincing evidence that application was delayed through no fault of the disabled beneficiary or participant and was delayed due to the employers' miscalculation of the end of the 180-day filing period. However, in no instance shall the filing period be extended beyond an additional 180 days.

The Board of Trustees may require each beneficiary who becomes eligible to receive a long-term disability benefit to have an annual medical review or examination for the first five years and thereafter once every three years after the commencement of benefits under this section. However, the Board of Trustees may require more frequent examinations and upon the advice of the Medical Board shall determine which cases require such examination. Should any

beneficiary refuse to submit to any examination required by this subsection or by the Medical Board, his long-term disability benefit shall be suspended until he submits to an examination, and should his refusal last for one year, his benefit may be terminated by the Board of Trustees. If the Medical Board finds that a beneficiary is no longer mentally or physically incapacitated for the further performance of duty, the Medical Board shall so certify this finding to the Board of Trustees, and the Board of Trustees may terminate the beneficiary's long-term disability benefits effective on the last day of the month in which the Medical Board certifies that the beneficiary is no longer disabled.

As to the requirement of five years of membership service, any participant or beneficiary who does not have five years of membership service within the 96 calendar months prior to ~~conclusion of the short-term disability period~~ becoming disabled or upon cessation of continuous salary continuation payments, whichever is later, shall not be eligible for long-term disability benefits.

Notwithstanding the requirement that the incapacity was incurred at the time of active employment, any participant who becomes disabled while on an employer approved leave of absence and who is eligible for and in receipt of temporary total benefits under The North Carolina Workers' Compensation Act, Article 1 of Chapter 97 of the General Statutes, will be eligible for all benefits provided under this Article."

**SECTION 7.** G.S. 135-111 reads as rewritten:

**"§ 135-111. Applicability of other pension laws.**

Subject to the provisions of this Article, the provisions of G.S. 135-9, entitled "Exemption from taxes, garnishment, attachment, etc."; G.S. 135-10, entitled "Protection against fraud"; G.S. 135-10.1, entitled "Failure to Respond"; and G.S. 135-17, entitled "Facility of payment" shall be applicable to this Article and to benefits paid pursuant to the provisions of this Article."

**SECTION 8.** G.S. 128-26(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 the 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. 128-24(1a) and who subsequently returns to service for a period of five years, may thereafter repay 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 this account was closed.

On and after July 1, 1973, a member whose account in the Teachers' and State Employees' Retirement System was closed on account of absence from service under the provisions of G.S. 135-3(3) 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 Teachers' and State Employees' Retirement System plus regular interest thereon from the date of withdrawal through the year of repayment and thereby increase his creditable service in this System by the amount of creditable service lost when his account was closed.

Notwithstanding any other provision of this Chapter, any member who entered service or was restored to service prior to July 1, 1982, and was excluded from membership service solely



on account of having attained the age of 62 years, in accordance with former G.S. 128-24 (3a), may purchase membership service credits for such excluded service by making a lump-sum payment equal to the contributions that would have been deducted pursuant to G.S. 128-30(b) had he been a member of the Retirement System, increased by interest calculated at a rate of seven percent (7%) per annum. Creditable service for unused sick leave shall be allowed only for sick leave accrued monthly during employment under a duly adopted sick leave policy and for which the member may be able to take credits and be paid for sick leave without restriction.

On and after January 1, 1986, the creditable service of a member who was a member of the Law Enforcement Officers' Retirement System at the time of the transfer of law enforcement officers employed by participating employers from that System to this Retirement System and whose accumulated contributions are transferred from that System to this Retirement System, includes service that was creditable in the Law Enforcement Officers' Retirement System; and membership service with that System is membership service with this Retirement System; provided, notwithstanding any provisions of this Article to the contrary, any inchoate or accrued rights of such a member to purchase creditable service for military service, withdrawn service and prior service under the rules and regulations of the Law Enforcement Officers' Retirement System may not be diminished and may be purchased as creditable service with this Retirement System under the same conditions that would have otherwise applied."

**SECTION 9.** G.S. 128-27(g) reads as rewritten:

"(g) Election of Optional Allowance. – With the provision that until the first payment on account of any benefit becomes normally due, or his first retirement check has been cashed, any member may elect to receive his benefits in a retirement allowance payable throughout life, or he may elect to receive the actuarial equivalent of such retirement allowance in a reduced allowance payable throughout life under the provisions of one of the Options set forth below. The election of Option two or Option three or nomination of the person thereunder shall be revoked if such person nominated dies prior to the date the first payment becomes normally due or the first retirement check has been cashed. Such election may be revoked by the member prior to the date the first payment becomes normally due or his first retirement check has been cashed. Provided, however, in the event a member has elected Option 2 or Option 3 and nominated his or her spouse to receive a retirement allowance upon the member's death, and the spouse predeceases the member after the first payment becomes normally due or the first retirement check has been cashed, if the member remarries he or she may request to nominate a new spouse to receive the retirement allowance under the previously elected option by written designation duly acknowledged and filed with the Board of Trustees within 120 days of the remarriage. ~~remarriage, and may nominate a new spouse to receive the retirement allowance under the previously elected option by written designation duly acknowledged and filed with the Board of Trustees within 120 days of the remarriage.~~ The new nomination shall be effective on the first day of the month in which it is made and shall provide for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new nomination. Any member having elected Options two, three, or six and nominated his or her spouse to receive a retirement allowance upon the member's death may, after divorce from his or her spouse, revoke the nomination and elect a new option, effective on the first day of the month in which the new option is elected, providing for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new option.

Option one.

- (a) In the Case of a Member Who Retires prior to July 1, 1965. – If he dies before he has received in annuity payments the present value of his annuity as it was

at the time of his retirement, the balance shall be paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees or, if none, to his legal representative.

- (b) In the Case of a Member Who Retires on or after July 1, 1965, but prior to July 1, 1993. – If he dies within 10 years from his retirement date, an amount equal to his accumulated contributions at retirement, less one one-hundred-twentieth thereof for each month for which he has received a retirement allowance payment, shall be paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees or, if none, to his legal representative; or

Option two. Upon his death his reduced retirement allowance shall be continued throughout the life of and paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees at the time of his retirement, provided that if the person selected is other than his spouse the reduced retirement allowance payable to the member shall not be less than one half of the retirement allowance without optional modification which would otherwise be payable to him; or

Option three. Upon his death, one half of his reduced retirement allowance shall be continued throughout the life of, and paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees at the time of his retirement; or

Option four. Adjustment of Retirement Allowance for Social Security Benefits. – Until the first payment on account of any benefit becomes normally due, any member may elect to convert his benefit otherwise payable on his account after retirement into a retirement allowance of equivalent actuarial value of such amount that with his benefit under Table II of the Federal Social Security Act, he will receive, so far as possible, approximately the same amount per year before and after the earliest age at which he becomes eligible, upon application therefor, to receive a social security benefit.

Option five. For Members Retiring prior to July 1, 1993. – The member may elect to receive a reduced retirement allowance under the conditions of Option two or Option three, as provided for above, with the modification that if both he and the person nominated die within 10 years from his retirement date, an amount equal to his accumulated contributions at retirement, less 1/120th 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 six. A member may elect either Option two or Option three 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 10.** G.S. 128-27 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. 128-26, there shall be paid to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if any, of the cost of the creditable service purchased less the administrative fee, if any, over the total of the increase in the retirement allowance attributable to the additional creditable service, paid from the month following the month in which payment was received to the death of the retiree.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above, and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the increase in the retirement allowance attributable to the additional creditable service paid to the retiree and the designated survivor combined equals the cost of the creditable service purchased less the administrative fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time such payment falls due, otherwise to the retiree's legal representative."

**SECTION 11.** G.S. 128-31 reads as rewritten:

**"§ 128-31. Exemptions from execution.**

Except for the applications of the provisions of G.S. 110-136, and G.S. 110-136.3 et seq., and in connection with a court-ordered equitable distribution under G.S. 50-20, the right of a person to a pension, an annuity, or a retirement allowance, to the return of contributions, the pension, annuity or retirement allowance itself, any optional benefit or any other right accrued or accruing to any person under the provisions of this Article, and the moneys in the various funds created by this Article, are exempt from levy and sale, garnishment, attachment, or any other process whatsoever, and shall be unassignable except as in this Article specifically otherwise provided. Notwithstanding any provisions to the contrary, any overpayment of benefits to a member in a State-administered retirement ~~system or system~~, the Disability Salary Continuation Plan-Plan, or the Disability Income Plan of North Carolina may be offset against any retirement

allowance, return of contributions or any other right accruing under this Chapter to the same person, the person's estate, or designated beneficiary."

**SECTION 12.** Article 3 of Chapter 128 of the General Statutes is amended by adding a new section to read:

**"§ 128-32.1. Failure to respond.**

If a member fails to respond in any way within 90 days after preliminary option figures and Form 6-E, Election of Benefits, are mailed, the Form 6, Application for Service, Early, or Disability Retirement, shall be null and void; the retirement system shall not be liable for any benefits due on account of the voided application, and a new application must be filed establishing a subsequent effective date of retirement. If an applicant for disability retirement fails to furnish requested additional medical information within 90 days following such request, the application shall be declared null and void under the same conditions outlined above, unless the applicant is eligible for early or service retirement in which case the application shall be processed accordingly, using the same effective date as would have been used had the application for disability retirement been approved."

**SECTION 13.** G.S. 58-86-85 is repealed.

**SECTION 14.** 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 15.** 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 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 16.** Section 6.1 of this act becomes effective December 1, 2004. The remainder of this act becomes effective July 1, 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

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**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.

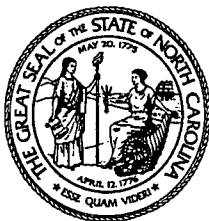
**PREPARED BY:** Stanley Moore

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



**DATE:** April 5, 2005

**Signed Copy Located in the NCGA Principal Clerk's Offices**



# HOUSE BILL 710: Retirement Systems Technical Corrections.-AB

## BILL ANALYSIS

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<b>Committee:</b>	Senate Pensions & Retirement and Aging	<b>Date:</b>	May 31, 2005
<b>Introduced by:</b>	Rep. Bell	<b>Summary by:</b>	Karen Cochrane-Brown
<b>Version:</b>	Second Edition		Committee Counsel

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**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 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 the member 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

Sections 6.1 and 7 make changes to the Disability Income Plan.

**Section 6.1** amends the Disability Income Plan to clarify that a member is eligible for benefits if the member has five years of service within 96 calendar months prior to becoming disabled or upon cessation of continuous salary continuation payments.

**Section 7** makes conforming changes 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:** Section 6.1 of the act would become effective December 1, 2004, and the remainder of the act would become effective July 1, 2005.

H0710e2-SMRO

**Senate Pensions & Retirement and Aging Committee**  
**Wednesday, June 1, 2005, 9:00 a.m.**  
**643 LOB**

**AGENDA**

**Welcome and Opening Remarks**

**Introduction of Pages**

**Bills**

SB 32	Fire and Rescue Pension Election.	Senator Hoyle
SB 148	Death Benefit for Part-Time Law Enforcement.	Senator Berger
SB 383	Amend Winston-Salem Firemen's Retirement Fund.	Senator Horton
HB 710	Retirement Systems Technical Corrections.-AB	Representative Bell

**Presentations**

**Other Business**

**Adjournment**

Principal Clerk  
Reading Clerk

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**REVISED: HB 1237 DELETED**

**SENATE**  
**NOTICE OF COMMITTEE MEETING**  
**AND**  
**BILL SPONSOR NOTICE**

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

<b>DAY</b>	<b>DATE</b>	<b>TIME</b>	<b>ROOM</b>
Wednesday	June 1, 2005	9:00 a.m.	643 LOB

The following will be considered:

<b>BILL NO.</b>	<b>SHORT TITLE</b>	<b>SPONSOR</b>
SB 32	Fire and Rescue Pension Election.	Senator Hoyle
SB 148	Death Benefit for Part-Time Law Enforcement.	Senator Berger
SB 383	Amend Winston-Salem Firemen's Retirement Fund.	Senator Horton
HB 710	Retirement Systems Technical Corrections.-AB	Representative Bell

Senator Linda Garrou, Co-Chair  
Senator Kay R. Hagan, Co-Chair  
Senator Walter H. Dalton, Co-Chair  
Senator Austin M. Allran, Co-Chair

## VISITOR REGISTRATION SHEET

### PENSIONS & RETIREMENT AND AGING

Wednesday, June 1, 2005

NAME	FIRM OR AGENCY AND ADDRESS
Sheriff Keith Keip	Deerholm Co.
Sheriff Litchard Hurley	Randolph Co. Sheriff's office
Sheriff Connie R. Wotton	Surety County
Sheriff W. E. Smith	Lenoir
Sheriff Steve Bizzell	Johnston Co. Sheriff
Sheriff Dennis M. Doby	Person Co. Sheriff
WES CRASTREE	DURHAM CO S.D.
Phil H. Ellis	Edgecombe Co (RETIRED)
Randy Cartwright	Pasquotank Co. Sheriff's office
RODNEY RIDGETT	DARE CO. SHERIFF
Fred A. Spruill	Chowan Co Sheriff

## VISITOR REGISTRATION SHEET

### PENSIONS & RETIREMENT AND AGING

Wednesday, June 1, 2005

NAME	FIRM OR AGENCY AND ADDRESS
BRAD RILEY	Cabarrus Co. Sheriff's Office
Daniel Bailey	Mecklenburg Co Sheriff's Office
Jim Fendergraph	Mecklenburg Co. Sheriff
Ed Brown	Onslow County Sheriff's Office
Chris Batten	Columbus Co. Sheriff
JAMES ESTEZ	LEE Co. SHERIFF'S OFFICE, SANFORD, N.C.
Kevin Bryant	Lee Co. Sheriff's Office, Sanford, N.C.
Doc Curry - Hill	NC Dept of Public Instruction
ALAN JORDAN	BEAUFORT CO. SHERIFF
SDWAYNE LIVENWOOD	SURRY Co. SHERIFF OFFICE

## VISITOR REGISTRATION SHEET

### PENSIONS & RETIREMENT AND AGING

Wednesday, June 1, 2005

NAME	FIRM OR AGENCY AND ADDRESS
HAYDEN BENTLEY	NC SHERIFF'S ASSOC.
CHRIS BOWMAN	NC SHERIFF'S ASSOC.
DAVID PENDLEY	NC SHERIFF'S ASSOCIATION
Jackie Turner	N.C. Sheriff's
Dudley Greene	NC Sheriff's Association
Conrad H. Winder	N.C. Sheriff's Association
Rysoil	NC Sheriff's Assoc.
JOHN WINSTEAD	N.C. SHERIFF'S ASSOCIATION
Eddie Cathey	NC SHERIFF'S ASSOCIATION
R.T. Cathey	NC SHERIFFS ASSOC. HAYWOOD CO
Bob DeBrault	NC SHERIFFS ASSOC. GRAHAM CO

## VISITOR REGISTRATION SHEET

### PENSIONS & RETIREMENT AND AGING

Wednesday, June 1, 2005

NAME	FIRM OR AGENCY AND ADDRESS
Dane Mastin	NC Sheriff's Assoc.
John McDevitt	"
Jimmy Aske	"
Sidney A. Causey	N.C. Sheriff's Assoc.
Sheriff Edward Webb	NC Sheriff's Assoc.
Sheriff Jim Hartley	N.C. Sheriff Association
Sheriff Mark Shook	NC Sheriff Association
Donald B Penix	NC State Fraternal Order of Police
Coy Reid	N.C. Sheriff Assoc.
Sheriff James L. Smith	NC Sheriff Assoc.
Johnny Williams	"





## MINUTES

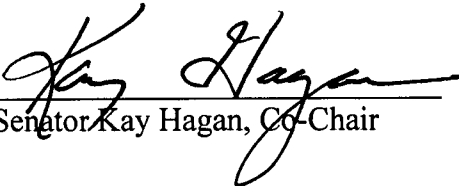
### SENATE COMMITTEE ON PENSIONS & RETIREMENT AND AGING

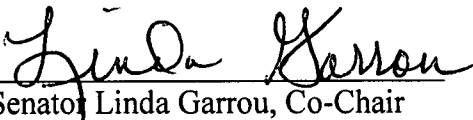
June 1, 2005

The Senate Committee on Pensions & Retirement and Aging met in the Senate Chamber on Wednesday, June 1, 2005. There were 43 members present. Senator Hagan presided.

Senator Smith briefed the Committee on Senate Bill 140. The Short Title of SB 140: ***Amend Firemen's Relief Fund Requirement***. The Long Title: ***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. (Please see Attachment 1)***. Senator Allran presented an Amendment and explained the Amendment. Senator Kerr made a motion that the Amendment be adopted. The motion was approved. *(Please see Attachment 1)*. Senator Rand made a motion that Senate Bill 140 be given a ***Favorable Report, as Amended***. The motion carried.

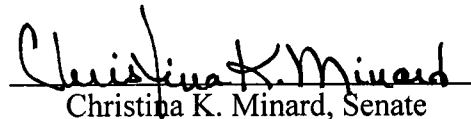
Senator Hagan adjourned the meeting.

  
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Senator Kay Hagan, Co-Chair

  
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Senator Linda Garrou, Co-Chair

  
\_\_\_\_\_  
Senator Walter Dalton, Co-Chair

  
\_\_\_\_\_  
Senator Austin Allran, Co-Chair

  
\_\_\_\_\_  
Christina K. Minard, Senate  
Committee Assistant

**NORTH CAROLINA GENERAL ASSEMBLY  
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT**

**Senator Linda Garrou, Co-Chair  
Senator Walter H. Dalton, Co-Chair  
Senator Kay R. Hagan, Co-Chair  
Senator Austin M. Allran, Co-Chair**

Wednesday, June 01, 2005

Senator HAGAN,  
submits the following with recommendations as to passage:

**FAVORABLE, AS AMENDED**

S.B.	<b>140</b>	Amend Firemen's Relief Fund Requirement.	
		Sequential Referral:	None
		Recommended Referral:	None
		Long Title Amended:	No

**TOTAL REPORTED: 1**

Committee Clerk Comments:

(To be reported unengrossed)

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005**

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**SENATE BILL 140**

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~~ one year.
- (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.

**PLEASE PRESS HARD - 5 COPIES****NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT****ATTACHMENT 2**

(Please type or use ballpoint pen)

EDITION No. 1

H. B. No. \_\_\_\_\_

DATE \_\_\_\_\_

S. B. No. 140

Amendment No. \_\_\_\_\_

(to be filled in by  
Principal Clerk)

COMMITTEE SUBSTITUTE \_\_\_\_\_

Rep. ) \_\_\_\_\_

) \_\_\_\_\_

Sen. ) \_\_\_\_\_

1 moves to amend the bill on page 1, line 20

2 ( ) WHICH CHANGES THE TITLE

3 by deleting the phrase "one year."4 and substituting "two years."

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SIGNED \_\_\_\_\_

ADOPTED \_\_\_\_\_ FAILED \_\_\_\_\_ TABLED \_\_\_\_\_

## MINUTES

### SENATE COMMITTEE ON PENSIONS & RETIREMENT AND AGING

June 14, 2005

The Senate Committee on Pensions & Retirement and Aging met on Tuesday, June 14, 2005. There were 28 members present. Senator Hagan, Co-Chair presided. Senator Hagan explained to the members that the purpose of the meeting was to consider the recommendations by Governor Easley to the North Carolina Teachers' and State Employees' Retirement System Board of Trustees. The Governor's recommendations for reappointment are: Mr. Norwood Clark, Ms. Joyce Elliott and Chancellor Allen Meadors. Their terms would be effective immediately upon confirmation and will expire June 30, 2009. *(Please see Attachment 1).*

The Senate Committee on Pensions & Retirement and Aging considered the Governor's recommendations and made the following recommendations to the Senate.

*That the reappointment of Mr. Norwood Clark, Ms. Joyce Elliot and Chancellor Allen Meadors to the Board of Trustees of the Teachers' and State Employees' Retirement System beginning immediately and expiring June 30, 2009, be confirmed. (Please see Attachment 2).*

Senator Weinstein made a motion for a **Favorable Report**. The motion carried.

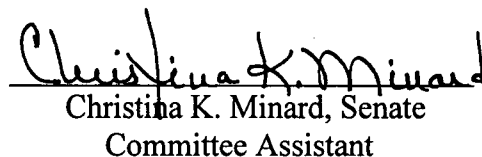
Senator Hagan thanked the Committee members and adjourned the meeting.

  
Senator Kay Hagan, Co-Chair

  
Senator Linda Garrou, Co-Chair

  
Senator Walter Dalton, Co-Chair

  
Senator Austin Allran, Co-Chair

  
Christina K. Minard, Senate  
Committee Assistant



*Referred to Pens &  
Ret & Aging*

JUN 8 2005

*Janet Pruitt*

STATE OF NORTH CAROLINA  
OFFICE OF THE GOVERNOR  
20301 MAIL SERVICE CENTER • RALEIGH, NC 27699-0301

MICHAEL F. EASLEY  
GOVERNOR

June 6, 2005

The Honorable Beverly Perdue  
Lieutenant Governor  
310 North Blount Street  
Raleigh, NC 27603

Dear Lieutenant Governor Perdue:

Pursuant to General Statute §135-6, I hereby reappoint Norwood Clark, Joyce Elliott and Chancellor Allen Meadors to the North Carolina Teachers' and State Employees' Retirement System Board of Trustees and submit their names pending consideration of consent by the North Carolina Senate. Their terms are effective immediately pending confirmation and will expire June 30, 2009.

Enclosed is biographical information on each appointee. Please feel free to call on them or members of my office of Boards and Commissions if you need additional information.

With kindest regards, I remain.

Very truly yours,

A handwritten signature in black ink that reads "Mike Easley".

Michael F. Easley

MF/afa

Enclosures

cc: The Honorable Marc Basnight  
The Honorable James Black  
Ms. Denise Weeks  
Ms. Janet Pruitt

JUN 8 2005

Norwood G. Clark, Jr., CPA  
236 Waterville Street  
Raleigh, NC 27603  
(Work) 919-875-4992  
(Home) 919-662-8769

Prior to opening his own public accounting firm in 1987, Mr. Clark was employed by the State of North Carolina for 22 years. He served on the State Auditor's staff for 2 years, was Controller of the Division of Mental Health, Mental Retardation, and Substance Abuse Services for 8 years, and for 12 years was Director of Audits for the Department of Health and Human Services.

From 1987 until July 2002, Mr. Clark was a partner in the Raleigh CPA firm of Clark-McNairy, CPA-PC. In July 2002, the firm merged its practice with the Raleigh Office of Dixon Hughes, PLLC, which is the largest CPA firm headquartered in North Carolina. The firm has 26 offices throughout North Carolina as well as the southeast and midwest portions of the United States.

Mr. Clark is a partner with Dixon Hughes, PLLC and serves as the firm's Director of Governmental Relations.

Mr. Clark has been an active member of the North Carolina Association of Certified Public Accountants, serving during 1985-1987 as Treasurer of the Association's Board of Directors. He was also the first chairman of the NCACPA Political Action Committee and has been a member of numerous committees since joining the Association in 1973. He has also been a member of the American Institute of Certified Public Accountants since 1973 having served on several AICPA Committees.

Mr. Clark received his bachelor of science degree from the University of North Carolina at Chapel Hill. He is a licensed certified public accountant in the State of North Carolina.

Governor Hunt appointed Mr. Clark in August 1995 to serve on the North Carolina Board of CPA Examiners. During his six year term, he served as President and Vice-President of the Board.

Governor Easley in 2001 appointed Mr. Clark to the North Carolina Teachers' and State Employees' Retirement System Board of Trustees and to the North Carolina Banking Commission.

In July 2003, Governor Easley appointed Mr. Clark to a three year term on the North Carolina Board of CPA Examiners. Mr. Clark completed in March 2005 a one-year term as President is still serving as an active member of the Board.



# JOYCE H. ELLIOTT

## EDUCATION

---

Associate of Arts	Warren Wilson College
B.S., English and Social Studies	Appalachian State University
M.A., Education	Western Carolina University

## EMPLOYMENT

---

34 Years Teaching Experience  
*29 Years in Buncombe County*

## PROFESSIONAL SERVICE

---

- Director, North Carolina Council for Social Studies
- Chairperson, North Carolina CLOSEUP Program
- Chairperson, North Carolina Teacher Academy Board of Trustees
- Member, Governor's Teacher Advisory Committee
- Member, North Carolina Professional Teacher Standard's Commission
- Vice President, North Carolina Association of Educators
- President, North Carolina Association of Educators

Updated May 10, 2005

## CURRICULUM VITAE

Allen Coats Meadors, Ph.D., FACHE  
Chancellor  
The University of North Carolina at Pembroke  
P. O. Box 1510  
Pembroke, NC 28372-1510  
(910) 521-6201  
Fax (910) 521-6176

### BIOGRAPHICAL INFORMATION

Date of Birth:	May 17, 1947
Place of Birth:	Van Buren, Arkansas
Marital Status:	Married, Two Sons

### EDUCATION

1980-1981	A.A.	Computer Sciences, Saddleback College, Mission, Viejo, California
1965-1969	B.B.A.	Business Administration, University of Central Arkansas, Conway, Arkansas
1971-1974	Master Business Administration	University of Northern Colorado, Greeley, Colorado
1973-1974	Certificate	Health Services Administration Development Program, Trinity University Graduate School, San Antonio, Texas
1975	Master Public Administration	University of Kansas, Lawrence, Kansas
1977	Certificate	Health Systems Management, Sloan School of Management, Massachusetts Institute of Technology, Cambridge, Massachusetts
1977-1979	Master Psychology/Human Relations	Webster University, St. Louis, Missouri

- 1979-1980 Master Health Services Management, Webster University,  
St. Louis, Missouri
- 1978-1981 Ph.D. Administration and Education, Southern Illinois University  
Carbondale, Illinois

### **PROFESSIONAL AND TEACHING EXPERIENCE**

- 1999-Present **Chancellor and Professor, University of North Carolina at Pembroke.**  
Overall duties include running all aspects of a Comprehensive I University. Working closely with all constituencies of the University to enhance all aspects of the educational experience. Provide leadership within the University community to bring about consensus. Tenured Professor in Public Administration.
- 1994-1999 **CEO and Dean, Penn State Altoona.** (This position serves the same function as the President/Chancellor in other systems). Penn State Altoona is the second largest of the Penn State University undergraduate campuses. Overall duties include annual academic and non-academic budgets; fund-raising and enhancing relationships with the Campus' multiple external constituencies; working with faculty to enhance and expand the College's curriculum and research activities; establishing a Campus administrative structure which is responsive both to local needs and to system-wide policies; oversight and implementation of Campus' master plan; and all capital construction over five years, increased entering freshmen high school GPA from 2.7 to 3.2 and SATs by 200 points. Increased enrollment from 2,300 to 3,800. Enhanced campus by over \$40 million in renovations and new building projects. Increased the number of full-time faculty by 68%. Established international linkage with universities in China, France and Germany. Tenured faculty, College of Health and Human Development.
- 1990-1994 **Professor and Dean, College of Health, Social and Public Services, Eastern Washington University.** Selected as the first Dean of a newly formed College, which combined the Schools of Health Sciences, Social Work and Human Services, and Public Affairs under one administrative entity. College consisted of eleven (11) academic disciplines; several grant programs; the Center for Health Research; and the Center for Leadership Development. Academic programs included ten (10) undergraduate and five (5) graduate degree offerings. Programs are located on both the Cheney and Spokane campuses. Position provided leadership and administrative support to the programs and faculty of the College and represents the College in relations with other academic and

non-academic units within and outside the University. During the first two years, established the University's first funded Endowed Distinguished Professorship (\$500,000); academic units increased external funding in excess of 700%; initiated a faculty mentoring program; initiated an annual Alumni Day event. During a time of University-wide budget reduction, College increased resources (both faculty and equipment). Successfully raised \$250,000 from external sources for equipment replacement during the second year. During the third year, the College obtained over \$10 million in new grants, doubling the previous high for the University as a whole. During a period that the University enrollment fell slightly, the College enrollment increased 42%. Held faculty positions in Health Services Administration, Social Work, and Public Administration (tenured).

**1989-1990**

**Dean, College of Public Health, University of Oklahoma.** Served as Interim Dean of the College for 13 months, with full responsibility for the administration of one of the 24 accredited schools of public health in the United States. In this role, I provided leadership and administrative support to the programs and faculty of the College and represented the College in relations with other units of the university and external organizations. Implemented faculty development seminar series. Started the development of two dual degree options with other Colleges within the University. Initiated external fund raising activities. Established an internal seed-funding program to enhance research. Provided College departments with the first operating budget increase in five years. All departments increased the number of and revenue generated from external grants and contracts. Initiated procedure by which admission of new doctoral students were approved after a five (5) year hiatus in the College.

**1987-1990**

**Professor and Chair, Department of Health Administration, College of Public Health, University of Oklahoma, Oklahoma City, Oklahoma.** Position involved maintaining an active presence in the classroom by teaching one of the department's required courses (twice a year) and participating in other courses/seminars, planning, designing, implementing, administering and evaluating the numerous aspects of a graduate program in health administration (including master and doctoral programs). Providing leadership in the areas of teaching, research, and service for diversity trained professional faculty (11) and staff (5). Duties also included recruiting new faculty, developing new academic programs, coordinating with the professional community in the development of professional education programs, and participating in various college and university committees and task forces. Increased external funding by 3,000 percent during the first two years. Established a national *Center for Rural Health Administration and Promotion*, established an American

College of Healthcare Executives (ACHE) Student Chapter, and obtained Affiliation with the Association of University Programs in Health Administration (AUPHA) and the American Hospital Association (AHA). Increased faculty size by five, generated funds for total computerization and networking of the Department from external funds. Department publication record increased 500 percent during the second year. Held faculty appointments in the Colleges of Public Health (tenured), Medicine, Allied Health, and Pharmacy.

**1984-1987**

**Executive Director, Northwest Arkansas Radiation Therapy Institute, Springdale, Arkansas.** Duties included planning the establishment of the institute (a comprehensive freestanding radiation institute); designing and overseeing the construction; screening, negotiating, and purchasing of all equipment; developing all administrative policies and guidelines; interviewing and hiring initial administrative and professional staff. Activities also included fund-raising activities including grants and public and private solicitations equaling over \$3.5 million during the first twelve (12) months. The facility was completely debt-free at the end of twenty (20) months of operation. Responsible for all administrative activities of the Institute. Position required close liaison with other health providers within the state.

**1982-1984**

**Associate Professor and Director, Division of Health Administration, School of Allied Health Sciences, the University of Texas, Galveston, Texas.** Work involved planning, designing, implementing, administering, and evaluating the various aspects of the health administration program. Development of non-resident programs with industry, both degree and non-degree. Increased enrollment 500 percent during the first year and doubled the faculty size. Developed and designed a graduate program in health administration. Provided staff development and consultation services to the six university hospitals. Developed and initiated a Practice Management Program for Family Medicine Residents. Developed proposal and obtained associate membership in the Association of University Programs in Health Administration (AUPHA) for the program. Obtained ten (10) grants (private and federal) for the program worth over a million dollars. Duties also included teaching responsibilities in the area of health management, development of short courses and workshops, and presentations for health related organizations. Participated in internal and external consulting activities. Held appointments in the Graduate School and the Schools of Medicine and Nursing.

**1980-1982**

**Western Regional Coordinator, Southern Illinois University, Western United States.** Work involved development of new educational programs on military bases throughout the Western United States. Hiring

administrative and academic staff and monitoring effectiveness and efficiency of the programs. Assisting staff with administrative and academic problem areas and working with the various states and federal agencies. Seven new programs in four states were established during this time.

**1978-1982**

**Adjunct Professor and Program Coordinator, Webster University, Southern California.** Work involved the development and administration of master's degree programs on military installations in the Southern California region. Established eight programs with combined enrollment of over 150 graduate students. Duties included recruiting students, adjunct faculty, administrative staff (academic advisors, student counselors, etc.). Assisted in developing membership packet for the Association of University Programs in Health Administration (AUPHA) for the graduate program. Ongoing liaison with state and federal agencies, civilian and military officials and educational and health agencies. Duties also entailed graduate teaching in the area of health management.

**1977-1982**

**Assistant Professor and Program Director, Southern Illinois University, Southern California.** Work involved the administration of Baccalaureate Degree programs on military installations. During this period increased enrollment from eight students to over 200. Assisted in developing membership packet for the Association of University Programs in Health Administration (AUPHA) for the programs. Duties entailed recruiting students and adjunct faculty, counseling, and serving as proctor for students in the programs. Ongoing liaison with state approving agency, Veterans Administration, military officials, and other educational and health agencies. Taught 6-9 hours per semester in the area of health management.

**1977-1982**

**Health Consultant.** Work involved designing, developing, organizing, marketing, and implementing health programs in Midwest and Western United States health facilities. Activities included assisting in hiring professional and administrative agencies and health associations. Acted as consultant to approximately 20 programs in these regions.

**1976-1977**

**Assistant Director of Health, Kansas City, Missouri.** Work involved all facets of municipal public health, direct responsibilities for directing, managing, and evaluating community health programs and contract

negotiations with health agencies (contracts totaled in excess of \$11,000,000). Coordinated contracts and monitored effectiveness of the city's emergency medical services system. Served as liaison between the city and the area professional standard review organization, health systems agency and health facilities (hospitals, clinics, etc.). Provided technical assistance to functional program administrators in areas of grants, management, finance and program evaluation.

**1975-1976**

**Assistant Director, Health Services Development, Blue Cross and Blue Shield, Topeka, Kansas.** Responsibility for all internal and external operations, procedures and development of institutional utilization review activities, health data systems, and institutional planning. Directed the development and maintenance of alternative delivery systems, prospective rate reviews systems and maintained close liaison with various professional associations. Required a detailed knowledge of health maintenance organizations (HMOs), professional standard review organizations (PSROs), health data systems, rate review systems and current health planning concepts.

**1973-1975**

**Manager, Institutional and Drug Review, Blue Cross and Blue Shield of Kansas, Topeka, Kansas.** Responsible for maintenance and refinement of Medicare, Medicaid, Blue Cross, and Blue Shield utilization review programs. Directed internal and external utilization review activities for these four programs. Interacted with medical consultants on utilization matters. Developed and implemented policies and procedures

regarding drug utilization. Directed external and internal data system activities. Directed administrative and medical staffs on effective use of computer generated systems, health maintenance organizations (HMOs), professional standard review organizations (PSROs). Directed the accountability system which resulted in savings in excess of \$1,000,000 annually through efficient, effective utilization programs.

1969-1973

Captain, United States Air Force  
Medical Service Corps  
Hospital Administrator  
Clinic Administrator

#### RESEARCH AND GRANT/CONTRACT ACTIVITIES

1. Analysis of the graduates of an off-campus baccalaureate program in health care services-Principal Investigator, Southern Illinois University, 1979-1980.
2. Survey of services provided by hospital associations throughout the United States and Canada, Principal Investigator, the University of Texas, 1981-1983 (\$1,000).
3. Survey and analysis of physician's reactions to serving on staff of a facility that is part of a multi-institutional arrangement-Principal Investigator, U. S. Health Corporation, 1983 (\$1,500).
4. Survey and analysis of Texas Medicaid clients who were denied nursing home level care-Principal Investigator, Texas Nursing Home Association, 1983 (\$7,000).
5. Survey and analysis of Texas hospital discharge planners regarding the Texas Department of Human Resources. Procedures and caseworkers interaction with patients-Principal Investigator, Texas Nursing Home Association, 1984 (\$5,000).
6. Analysis of the aging demographics in Texas by area density and income-Co-Investigator, The Retirement Company, 1984 (\$5,000).
7. Homemaker/Home Health Aides Training Grant-Principal Investigator and Project Director, Public Health Service, 1983-1984 (\$150,000).
8. Health Promotion and Disease Prevention Training Grant-Co-





**SENATE COMMITTEE ON PENSIONS & RETIREMENT AND AGING**  
**2005-2006 Biennium**

**Senator Kay Hagan, Co-Chair**  
**411 LOB**  
**Raleigh, NC**  
**(919) 733-5856**

**Senator Walter Dalton, Co-Chair**  
**523 LOB**  
**Raleigh, NC**  
**(919) 715-3038**

**Senator Austin Allran**  
**516 LOB**  
**Raleigh, NC**  
**(919) 733-5876**

**Senator Linda Garrou, Co-Chair**  
**527 LOB**  
**Raleigh, NC**  
**(919) 733-5620**

June 14, 2005

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

Dear Madam President and Members of the Senate:

In compliance with the provisions of G.S. 135-6 requiring appointees to the Board of Trustees of the North Carolina Teachers' and State Employees' Retirement System to be confirmed by the Senate, Governor Easley has submitted the following for reappointment: Mr. Norwood Clark, Ms. Joyce Elliot and Chancellor Allen Meadors, for confirmation. Their terms are effective immediately pending confirmation and will expire June 30, 2009.

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

That the reappointment of Mr. Norwood Clark, Ms. Joyce Elliot and Chancellor Allen Meadors to the Board of Trustees of the Teachers' and State Employees' Retirement System beginning immediately and expiring June 30, 2009, be confirmed.

Respectfully submitted,

Senator Kay R. Hagan

## MINUTES

### SENATE COMMITTEE ON PENSIONS & RETIREMENT AND AGING

August 12, 2005

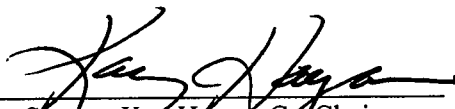
The Senate Committee on Pensions & Retirement and Aging met on Friday, August 12, 2005. There were 39 members present. Senator Hagan, Co-Chair presided. Senator Hagan briefed the members on the following bills: House Bill 182, Charter School Retirement Election; House Bill 485, Charter School Retirement Election and House Bill 612, Troutman/Local Govt. Emp. Retirement System.

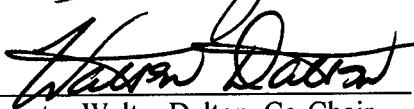
The first bill considered by the Committee was HB 182. The Short Title: ***Charter School Retirement Election***. The Long Title: ***An Act to Authorize Existing Charter Schools to Elect to Participate in the Teachers' and State Employees' Retirement System and the North Carolina Teachers' and State Employees' Major Medical Plan.*** (Please see Attachment 1). The Legislative Actuarial Note is Attachment 2 and the Bill Summary, Attachment 3. Senator Dalton made a motion to give HB 182 a ***Favorable Report***. The Committee concurred.

Secondly, the House Committee Substitute Bill for House Bill 485 was discussed. The Short Title: ***Charter School Retirement Election***. The Long Title: ***An Act to Authorize an Existing Charter School to Elect to Participate in the Teachers' and State Employees' Retirement System.*** (Please see Attachment 4). The Legislative Actuarial Note is Attachment 5. Senator Swindell made a motion to give HB 485 a Favorable Report. The Committee granted HB 485 a ***Favorable Report***.

Lastly, House Bill 612 was considered. The Short Title: ***Troutman/Local Govt. Emp. Retirement System***. The Long Title: ***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.*** (Please see Attachment 6). The Legislative Actuarial Note is Attachment 7. Senator Weinstein made a motion to give HB 612 a ***Favorable Report***. The motion carried.

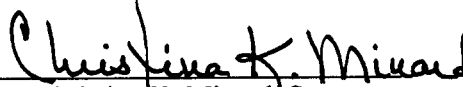
Senator Hagan thanked the Committee and adjourned the meeting.

  
Senator Kay Hagan, Co-Chair

  
Senator Walter Dalton, Co-Chair

  
Senator Linda Garrou, Co-Chair

  
Senator Austin Allran, Co-Chair

  
Christina K. Minard, Senate  
Committee Assistant

**NORTH CAROLINA GENERAL ASSEMBLY  
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT**

**Senator Kay R. Hagan, Co-Chair  
Senator Linda Garrou, Co-Chair  
Senator Walter H. Dalton, Co-Chair  
Senator Austin M. Allran, Co-Chair**

Friday, August 12, 2005

Senator HAGAN,  
submits the following with recommendations as to passage:

**FAVORABLE**

H.B.	<b>182</b>	Charter School Retirement Election.	
		Sequential Referral:	None
		Recommended Referral:	None
H.B.(CS #1)	<b>485</b>	Charter School Retirement Election.	
		Sequential Referral:	None
		Recommended Referral:	None
H.B.	<b>612</b>	Troutman/Local Govt. Emp. Retirement System.	
		Sequential Referral:	None
		Recommended Referral:	None

**TOTAL REPORTED: 3**

Committee Clerk Comments:

**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.

## GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

## Legislative Actuarial Note

## HEALTH BENEFITS

**BILL NUMBER:** House Bill 182 (First Edition)

**SHORT TITLE:** Charter School Retirement Election.

**SPONSOR(S):** Representatives Clary and Ray

**SYSTEM OR PROGRAM AFFECTED:** Teachers' and State Employees' Comprehensive Major Medical Plan.

**FUNDS AFFECTED:** State General Fund, State Highway Fund, other State employer receipts, premium payments for dependents by active and retired teachers and State employees, premium payments for coverages selected by eligible former teachers and State employees, premium payments for coverages selected by firefighters, rescue squad workers, members of the National Guard, certain County local governments, and the North Carolina Symphony Society, Inc.

**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 and State Employees' Comprehensive Major Medical Plan within 30 days after act becomes law.

**EFFECTIVE DATE:** When it becomes law.

**ESTIMATED IMPACT ON STATE:** Mellon Consultants, the consulting actuary for the Teachers' and State Employees' Comprehensive Major Medical Plan, estimates that enactment of the bill would result in minimal additional cost to the Plan for the 2003-05 biennium. Mellon estimates that a midpoint increase in costs of \$300,000 for the 2005-2006 fiscal year and \$500,000 for the 2006-2007 fiscal year. Mellon's estimate assumes that employees and covered dependents at these identified charter schools would have demographics similar to the current group of covered active employees and dependents under the Plan.

Hartman & Associates, consulting actuary for the General Assembly's Fiscal Research Division, estimates that the financial impact on the Plan would not be significant upon enactment of the bill. Hartman and Associates noted that the demographics of the identified charter schools compare favorably to current Plan demographics, and that given the minimal number of prospective employees to be enrolled, there is not expected to be a significant impact.

**ASSUMPTIONS AND METHODOLOGY:** The Comprehensive Major Medical Plan for Teachers and State Employees is divided into two programs: a self-insured indemnity type program and a prepaid program of coverage by health maintenance organizations. The benefits of the self-insured indemnity type of program are spelled out in Part 3 of Article 3 of Chapter 135 of the North Carolina General Statutes (i.e., \$350 annual deductible, 20% coinsurance up to \$1,500 annually, etc. paid by the program's members). From October, 1982, through June, 1986, the Plan only had a self-funded indemnity type of program which covered all employees, retired employees, eligible dependents of employees and retired employees, and eligible former employees and their eligible dependents authorized to continue coverage past a termination of employment other than for retirement or disability purposes. A prepaid program of coverage by health maintenance organizations (HMOs) was offered in July 1986, as an alternative to the Plan's self-insured indemnity program. HMOs are required to offer benefits that are comparable to those provided by the self-insured indemnity program. Beginning in July 2000, firefighters, rescue squad workers, and members of the National Guard and their eligible dependents were allowed to voluntarily participate in the Plan on a fully contributory basis, provided they were ineligible for any other type of group health benefits and had been without such benefits for at least six months. In July 2004, the North Carolina Symphony Society, Inc., a non-profit corporation, was included as an employing unit under the Plan for the purpose of providing health benefits to the Symphony Society's employees and employees' families. The Symphony Society provides health benefits for its employees and employee family members through a labor contract with the Professional Musicians Association, a local of the American Federation of Musicians. Coverage under the Plan will be on a partially contributory basis for Symphony Society employees and enrolled spouses and dependent children. The amount of contributions provided by the Symphony Society and by their employees is determined periodically in accordance with the labor contract. The Plan's Executive Administrator and Board of Trustees are required to set premium rates for Symphony society employees and their families separate from those charged to active and retired teachers and state employees and their dependents enrolled in the Plan. Retired employees of the Symphony Society are not eligible for health benefits under the Plan since they are not members of the State Retirement Systems. Also beginning in July 2004, the North Carolina county local governments of Bladen, Cherokee, Rutherford, Washington, and Wilkes counties were authorized to become employing units under the Plan for the purpose of providing health benefits to their respective employees, retired employees, and their employee's eligible spouses and dependent children. If these local governments elect to participate in the Plan, they must by legal resolution approved by the Plan elect such participation and agree to make any contributions required by the Plan. A local government must allow all of its eligible employees and their eligible spouses and dependent children to enroll in the Plan on a non-contributory, partially contributory, or fully contributory basis. All enrolled employees, retired employees, and their family members will be required to participate in disease management, case management, and all other cost containment measures implemented by the Plan. If a local government elects to enroll its retired employees, and their eligible spouses and dependent children, the election is irrevocable. Local government employers making this election to cover retired employees are also required to make additional contributions to the Local Governmental Employees' Retirement System for this purpose as do all other employers participating in the Plan that cover its retired employees. If a local government does not participate in the Local Governmental Employees' Retirement System, but has another formally established retirement plan, and elects to cover its retired employees, it is required to make premium contributions to the Plan as it may require. Local governments and their

employees and retired employees will pay the same premium rates as those charged by the Plan for active and retired teachers and state employees and their dependents enrolled in the Plan. County local governments authorized to participate in the Plan may do so through June 30, 2006. Of the county local governments authorized to participate in the Plan, none have chosen to do so as of December 31, 2004. Employer-paid non-contributory premiums are only authorized for the self-insured indemnity program's coverage for teachers, state employees and retired employees. All other types of premium contributions in the indemnity program are fully contributory, except for job-sharing public school teachers who are authorized to pay partially contributory premiums at 50% of non-contributory rates. The Plan's Executive Administrator has set the premium rates for firefighters, rescue squad workers, and members of the National Guard and their families at 20% more than the comparable rates charged for teachers, state employees, retired employees, and their families. Similarly the Plan's Executive Administrator has set premium rates for members of the North Carolina Symphony Society, Inc. and their families at 51% more than the comparable rates charged for teachers, state employees, retired employees, and their families. Premiums paid by employers to HMOs are limited to like amounts paid to the indemnity program with employees and retired employees paying any HMO amounts above the indemnity program's non-contributory rates. Both types of program coverage continue to be available under the Plan; however none of the HMOs with certificates of authority to transact business in North Carolina have offered to participate in the Plan since September 30, 2001. The Plan's employees and retired employees select the type of program that they wish for themselves and their dependents during the months of August and September of each year for coverage beginning in October.

The demographics of the Plan as of December 31, 2004, include:

	Self-Insured Indemnity Program	Alternative HMOs	Plan Total
<u>Number of Participants</u>			
Active Employees	295,793	-0-	295,793
Active Employee Dependents	134,812	-0-	134,812
Retired Employees	127,074	-0-	127,074
Retired Employee Dependents	19,180	-0-	19,180
Former Employees & Dependents with Continued Coverage	2,278	-0-	2,278
Firefighters, Rescue Squad Workers, National Guard			
Symphony Members & Dependents	171	-0-	171
Total Enrollments	579,308	-0-	579,308
<u>Number of Contracts</u>			
Employee Only	339,047	-0-	339,047
Employee & Child(ren)	41,448	-0-	41,448
Employee & Family	42,372	-0-	42,372
Total Contracts	422,867	-0-	422,867
<u>Percentage of Enrollment by Age</u>			

29 & Under	26.2%	-0-%	26.2%
30-44	20.6	-0-	20.6
45-54	20.1	-0-	20.0
55-64	17.9	-0-	17.9
65 & Over	15.3	-0-	15.3
<u>Percentage of</u>			
<u>Enrollment by Sex</u>			
Male	37.9%	-0-%	37.9%
Female	62.1	-0-	62.1

Assumptions for the Self-Insured Indemnity Program: For the fiscal year beginning July 1, 2004, the self-insured program started its operations with a beginning cash balance of \$224 million. Receipts for the year are estimated to be \$1.687 billion from premium collections and \$7 million from investment earnings for a total of \$1.694 billion in receipts for the year. Disbursements from the self-insured program are expected to be \$1.667 billion in claim payments and \$56 million in administration and claims processing expenses for a total of \$1.723 billion for the year beginning July 1, 2004. For the fiscal year beginning July 1, 2004, the self-insured indemnity program is expected to have a net operating loss of approximately \$29 million for the year. The Plan's self-insured indemnity program is expected to have an available beginning cash balance of \$195 million for the fiscal year beginning July 1, 2005. The self-insured indemnity program is consequently assumed to not be able to carry out its operations for the 2005-2007 biennium without increases in its current premium rates or a reduction in existing benefits or payments to health care providers or both. This assumption is further predicated upon the fact that the program's cost containment strategies (hospital DRG reimbursements, discounts on hospital outpatient services, pre-admission hospital testing, pre-admission hospital inpatient certification with length-of-stay approval, hospital bill audits, case and disease management for selected medical conditions, mental health case management, coordination of benefits with other payers, Medicare benefit "carve-outs", cost reduction contracts with participating physicians and other providers, a prescription drug benefit manager with manufacturer rebates from formularies, and fraud detection) are maintained and improved where possible. Current non-contributory premium rates are \$217.66 monthly for employees whose primary payer of health benefits is Medicare and \$285.92 per month for employees whose primary payer of health benefits is not Medicare. Fully contributory premium amounts for employee and child(ren) contracts are \$135.46 monthly for children whose primary payer of health benefits is Medicare and \$178.22 monthly for other covered children, and \$324.88 per month for family contracts whose dependents have Medicare as the primary payer of health benefits and \$427.48 per month for other family contract dependents. Claim cost trends are expected to increase at a rate of 12% annually. Total enrollment in the program is expected to increase less than 2% annually over the next few years. The number of enrolled active employees is expected to increase about 2.5% annually over the next few years, whereas the growth in the number of retired employees is assumed to be 5% per year. The program is expected to have a 1% decrease in the number of active employee dependents per year whereas the number of retiree dependents is expected to increase 1% per year. Investment earnings are based upon a 3.5% return on available cash balances. The self-insured indemnity program



maintains a claim stabilization reserve for claim cost fluctuations equal to 7.5% of annual claim payments without reserving additional funds for incurred but unreported claims.

Assumptions for the Indemnity Plan Coverage of Charter School Employees from Piedmont Community Charter School and Success Institute: The following enrollment characteristics for employees of Piedmont Community Charter and Success Institute charter schools were used in comparison to enrolled active employees under the Plan's self-insured indemnity program for this analysis.

<u>Piedmont Charter</u>					<u>Success Institute</u>				
Ages	Male	Female	Total	Percent	Ages	Male	Female	Total	Percent
0-4	-	-	-	0.0%	0-4	-	-	-	0.0%
5-9	-	-	-	0.0%	5-9	-	-	-	0.0%
10-14	-	-	-	0.0%	10-14	-	-	-	0.0%
15-19	-	-	-	0.0%	15-19	-	-	-	0.0%
20-24	-	1	1	1.9%	20-24	-	-	-	0.0%
25-29	1	7	8	15.1%	25-29	1	-	1	12.5%
30-34	-	8	8	15.1%	30-34	-	2	2	25.0%
35-39	-	9	9	17.0%	35-39	-	-	-	0.0%
40-44	1	16	17	32.1%	40-44	-	1	1	12.5%
45-49	-	3	3	5.7%	45-49	1	3	4	50.0%
50-54	2	2	4	7.5%	50-54	-	-	-	0.0%
55-59	-	3	3	5.7%	55-59	-	-	-	0.0%
60-64	-	-	-	0.0%	60-64	-	-	-	0.0%
65-69	-	-	-	0.0%	65-69	-	-	-	0.0%
70-74	-	-	-	0.0%	70-74	-	-	-	0.0%
75-79	-	-	-	0.0%	75-79	-	-	-	0.0%
>79	-	-	-	0.0%	>79	-	-	-	0.0%
Unknown	-	-	-	0.0%	Unknown	-	-	-	0.0%
TOTAL	4	49	53	100.0%	TOTAL	2	6	8	100.0%
Percent	7.5%	92.5%	100.0%		Percent	25.0%	75.0%	100.0%	

State Health Plan (Active Employees)

Ages	Male	Female	Total	Percent
0-4	-	-	-	0.0%

5-9	-	-	-	0.0%
10-14	-	-	-	0.0%
15-19	53	60	113	0.0%
20-24	2,976	8,334	11,310	3.8%
25-29	8,009	19,180	27,189	9.2%
30-34	11,122	22,054	33,176	11.2%
35-39	11,896	23,406	35,302	11.9%
40-44	13,104	27,368	40,472	13.7%
45-49	14,542	32,379	46,921	15.9%
50-54	14,986	32,982	47,968	16.2%
55-59	11,955	23,338	35,293	11.9%
60-64	5,552	8,666	14,218	4.8%
65-69	1,337	1,542	2,879	1.0%
70-74	392	359	751	0.3%
75-79	81	65	146	0.0%
>79	33	22	55	0.0%
Unknown	-	-	-	0.0%

TOTAL 96,038 199,755 295,793 100.0%  
Percent 32.5% 67.5% 100.0%

**SOURCES OF DATA:**

- Actuarial Note, Hartman & Associates, House Bill 182, March 3, 2005, original of which is on file in the General Assembly's Fiscal Research Division.
- Actuarial Note, Mellon Consulting, House Bill 182, March 10, 2005, original of which is on file with the Comprehensive Major Medical Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

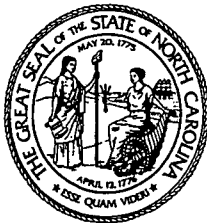
**TECHNICAL CONSIDERATIONS:** None  
**FISCAL RESEARCH DIVISION:** (919) 733-4910  
**PREPARED BY:** Mark Trogdon

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

**DATE:** April 12, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices

Official  
Fiscal Research Division  
Publication



## HOUSE BILL 182: Charter School Retirement Election

### BILL ANALYSIS

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

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**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

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005**

H

2

**HOUSE BILL 485  
Committee Substitute Favorable 4/27/05**

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.

## 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

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**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

Official  
Fiscal Research Division  
Publication

**DATE:** March 28, 2005

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GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005

H

1

## HOUSE BILL 612

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

(Local)

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Sponsors: Representatives Ray; Howard and Setzer.

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Referred to: Pensions and Retirement.

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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.

## 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

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**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.

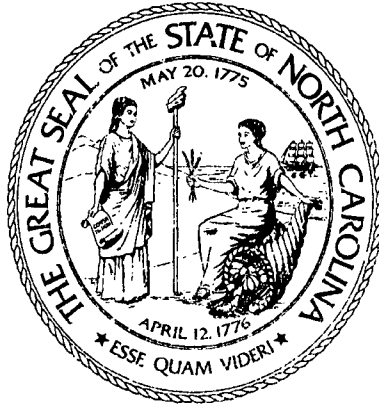
**PREPARED BY:** Stanley Moore

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

**DATE:** March 28, 2005



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## **THE NORTH CAROLINA GENERAL ASSEMBLY**

### **SENATE PENSIONS & RETIREMENT AND AGING**

#### **2006 SESSION**

**SENATOR LINDA GARROU, CHAIR**  
**SENATOR WALTER DALTON, CHAIR**  
**SENATOR KAY HAGAN, CHAIR**  
**SENATOR AUSTIN ALLRAN, CHAIR**

## **SENATE PENSIONS & RETIREMENT AND AGING**

### **2006 SESSION**

#### **MEMBERSHIP**

**Senator Linda Garrou, Chair**

**Senator Kay Hagan, Chair**

**Senator Walter Dalton, Chair**

**Senator Austin Allran, Chair**

**Senator Charlie Albertson**

**Senator Robert Atwater**

**Senator Stan Bingham**

**Senator Katie Dorsett**

**Senator Don East**

**Senator James Forrester**

**Senator Clark Jenkins**

**Senator Jeanne Lucas**

**Senator Vernon Malone**

**Senator William Purcell**

**Senator Tony Rand**

**Senator A.B. Swindell**

**Senator C.W. Bland**

**Senator David Weinstein**

2005-2006 Biennium

Bill	Introducer	Short Title		Date	Latest Action
H 23	Howard	FIRE AND RESCUE PENSION ELECTION.	*S	05-18-2005	Ref To Com On Pensions & Retirement and Aging
H2439=	Moore	LONG-TERM DISABILITY AMENDMENT.	S	06-20-2006	Ref To Com On Pensions & Retirement and Aging
S 31=	Hoyle	INCREASE FIRE AND RESCUE SQUAD PENSION.	S	02-02-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S 149=	Thomas	LAW OFFICERS' 25-YEAR RETIREMENT.	S	02-16-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S 229=	Swindell IV	DISTRICT COURT JUDGE RETIREMENT AGE.	S	02-28-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S 326	Bingham	RETIRED NURSES RETURN TO WORK.	*S	04-21-2005	Re-ref Com On Pensions & Retirement and Aging
S 570	Swindell IV	EXTEND SUNSET ON RETIRED TEACHERS PROVISION.	S	04-06-2005	Re-ref Com On Pensions & Retirement and Aging
S 638=	Stevens	RECIPROCITY/OPTIONAL RETIREMENT SYSTEM.	S	03-17-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S 648=	Brock	25-YEAR RETIREMENT FOR FIRST RESPONDERS.	S	03-17-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S 710=	Swindell IV	FIRE AND RESCUE WORKERS' RETIREMENT.	S	03-21-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S 723=	Thomas	NC NATIONAL GUARD PENSION CHANGES.	S	03-22-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S 910	Dorsett	RETIREMENT BENEFICIARY DESIGNATION.	S	03-24-2005	Ref To Com On Pensions & Retirement and Aging
S 975=	Dannelly	RETIREMENT SYSTEM COLAS.	S	03-24-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S 980	Atwater	PUBLIC DEFENDERS/JUDICIAL RETIREMENT SYSTEM.	S	03-24-2005	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S1105=	Nesbitt, Jr.	RETIREMENT SYSTEMS TECHNICAL CORRECTIONS.	S	03-24-2005	Ref To Com On Pensions & Retirement and Aging
S1286	East	SENIOR ADAS IN JUDICIAL RETIREMENT SYSTEM.	S	05-11-2006	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget

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

A bold line indicates the bill is an appropriations 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  
 Pending Senate Committee on  
 Pensions & Retirement and Aging

2005-2006 Biennium

Bill	Introducer	Short Title	Date	Latest Action
S1346	Dalton	INCREASE FIRE AND RESCUE PENSIONS.	S 05-15-2006	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S1537	Hagan	INCREASE MAXIMUM NATIONAL GUARD PENSION.	S 05-18-2006	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget
S1786=	Clodfelter	CHARLOTTE FIREFIGHTERS RETIREMENT CHANGES.	S 05-24-2006	Ref To Com On Pensions & Retirement and Aging
S1866	Snow, Jr.	STATE HEALTH PLAN/RETIREE VESTING.	S 05-25-2006	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget

'S' indicates the bill is an appropriations bill.  
 A bold line indicates the bill is an appropriations 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 Senate Committee on  
Pensions & Retirement and Aging

Date: 08/14/2006  
Time: 10:22  
Page: 001 of 003  
Leg. Day: H-174/S-176

2005-2006 Biennium

Bill	Introducer	Short Title	Latest Action	In Date	Out Date
H0023	Howard	FIRE AND RESCUE PENSION ELECTION.	*S Ref To Com On Pensions & Retirement and Aging	05-18-05	
H0182	Ray	CHARTER SCHOOL RETIREMENT ELECTION.	SR Ch. SL 2005-317	08-10-05	08-12-05
H0447	Glazier	LEO CREDITABLE SERVICE/WORKERS' COMPENSATION.	*SR Ch. SL 2006-29	05-02-05	06-07-06
H0485	Fisher	CHARTER SCHOOL RETIREMENT ELECTION.	*SR Ch. SL 2005-315	08-10-05	08-12-05
H0612	Ray	TROUTMAN/LOCAL GOVT. EMP. RETIREMENT SYSTEM.	SR Ch. SL 2005-279	04-14-05	08-12-05
H0710	Bell	RETIREMENT SYSTEMS TECHNICAL CORRECTIONS.-AB	*SR Ch. SL 2005-91	05-12-05	06-01-05
H0853=	Insko	OPTIONAL RETIREMENT PRGRAM CHANGES.	*SR Ch. SL 2006-172	06-28-06	07-11-06
H1237	Tucker	CHANGE LOCAL GOVERNMENTAL RETIREMENT BOARD.	*SR Ch. SL 2006-64	05-12-05	06-07-06
H1974	Owens	REEMPLOYMENT OF CERTAIN RETIRED EMPLOYEES.	SR Ch. SL 2006-77	06-28-06	06-28-06
H2223=	Alexander	CHARLOTTE FIREFIGHTERS RETIREMENT CHANGES.	*SR Ch. SL 2006-117	06-28-06	07-11-06
H2439=	Moore	LONG-TERM DISABILITY AMENDMENT.	S Ref To Com On Pensions & Retirement and Aging	06-20-06	
H651	Bell	ROTH 401K ACCOUNTS/ LAW ENFORCEMENT OFFICERS.	SR Ch. SL 2006-141	06-30-06	07-05-06
S0031=	David W. Hoyle	INCREASE FIRE AND RESCUE SQUAD PENSION.	S Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/ Base Budget	02-02-05	
S0032=	David W. Hoyle	FIRE SERVICE DISTRICT TAX RATE.	*SR Ch. SL 2005-281	02-02-05	06-01-05
S0140=	Fred Smith	AMEND FIREMEN'S RELIEF FUND REQUIREMENT.	*S Re-ref Com On Insurance	02-16-05	06-01-05
\$ S0148	Doug Berger	<b>DEATH BENEFIT FOR PART-TIME LAW ENFORCEMENT.</b>	*SR Ch. SL 2005-376	02-16-05	06-01-05
S0149=	Scott Thomas	LAW OFFICERS' 25-YEAR RETIREMENT.	S Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/ Base Budget	02-16-05	
S0229=	A. B Swindell	DISTRICT COURT JUDGE	S Ref to Pensions &	02-28-05	

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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 Senate Committee on  
Pensions & Retirement and Aging

Date: 08/14/2006  
Time: 10:22  
Page: 002 of 003  
Leg. Day: H-174/S-176

2005-2006 Biennium

Bill	Introducer	Short Title		Latest Action	In Date	Out Date
		RETIREMENT AGE.		Retirement and Aging. If fav, re-ref to Appropriations/ Base Budget		
S0326	Stan Bingham	RETIRED NURSES RETURN TO WORK.	*S	Re-ref Com On Pensions & Retirement and Aging	04-21-05	
S0383	Hamilton C. Hort	AMEND WINSTON-SALEM FIREMEN'S RETIREMENT FUND.	*SR	Ch. SL 2006-121	03-07-05	06-01-05
S0570	A. B Swindell	EXTEND SUNSET ON RETIRED TEACHERS PROVISION.	S	Re-ref Com On Pensions & Retirement and Aging	04-06-05	
<b>\$ S0622=</b>	<b>Linda Garrou</b>	<b>2005 APPROPRIATIONS ACT.</b>	<b>*SR</b>	<b>Ch. SL 2005-276</b>	<b>05-03-05</b>	<b>05-03-05</b>
S0638=	Richard Stevens	RECIPROCITY/OPTIONAL RETIREMENT SYSTEM.	S	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/ Base Budget	03-17-05	
S0648=	Andrew C. Brock	25-YEAR RETIREMENT FOR FIRST RESPONDERS.	S	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/ Base Budget	03-17-05	
S0710=	A. B Swindell	FIRE AND RESCUE WORKERS' RETIREMENT.	S	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/ Base Budget	03-21-05	
S0723=	Scott Thomas	NC NATIONAL GUARD PENSION CHANGES.	S	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/ Base Budget	03-22-05	
S0910	Katie G. Dorsett	RETIREMENT BENEFICIARY DESIGNATION.	S	Ref To Com On Pensions & Retirement and Aging	03-24-05	
S0975=	Charlie S. Danne	RETIREMENT SYSTEM COLAS.	S	Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/ Base Budget	03-24-05	
S0980	Bob Atwater	PUBLIC DEFENDERS/ JUDICIAL RETIREMENT SYSTEM.	S	Ref to Pensions & Retirement and Aging. If fav, re-ref to	03-24-05	

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North Carolina General Assembly  
Through Senate Committee on  
Pensions & Retirement and Aging

Date: 08/14/2006  
Time: 10:22  
Page: 003 of 003  
Leg. Day: H-174/S-176

2005-2006 Biennium

Bill	Introducer	Short Title	Latest Action	In Date	Out Date
			Appropriations/ Base Budget		
S1105=	Martin L. Nesbit	RETIREMENT SYSTEMS TECHNICAL CORRECTIONS.	S Ref To Com On Pensions & Retirement and Aging	03-24-05	
S1286	Don East	SENIOR ADAS IN JUDICIAL RETIREMENT SYSTEM.	S Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/ Base Budget	05-11-06	
S1346	Walter H. Dalton	INCREASE FIRE AND RESCUE PENSIONS.	S Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/ Base Budget	05-15-06	
S1537	Kay R. Hagan	INCREASE MAXIMUM NATIONAL GUARD PENSION.	S Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/ Base Budget	05-18-06	
S1738=	Walter H. Dalton	LONG-TERM DISABILITY AMENDMENT.	*SR Ch. SL 2006-74	06-06-06	06-07-06
<b>\$ S1741</b>	<b>Linda Garrou</b>	<b>MODIFY APPROPRIATIONS ACT OF 2005.</b>	<b>*SR Ch. SL 2006-66</b>	<b>05-23-06</b>	<b>05-23-06</b>
S1786=	Daniel G. Clodfe	CHARLOTTE FIREFIGHTERS RETIREMENT CHANGES.	S Ref To Com On Pensions & Retirement and Aging	05-24-06	
S1866	John Snow	STATE HEALTH PLAN/ RETIREE VESTING.	S Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/ Base Budget	05-25-06	

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## **LIST OF MEETING DATES**

**May 23, 2006**

**June 7, 2006**

**June 28, 2006**

**July 5, 2006**

**July 31, 2006**

## MINUTES

Tuesday, May 23, 2006

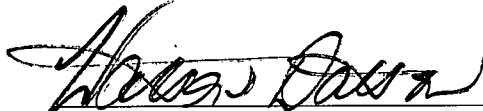
### SENATE PENSIONS & RETIREMENT AND AGING

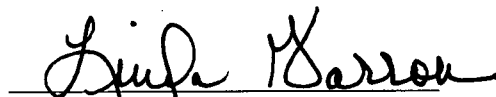
The Senate Committee on Pensions & Retirement and Aging met at 10:30 a.m. on Tuesday, May 23, 2006, in the Senate Chambers. Senator Walter Dalton, Co-Chair presided. There were 18 members present. Senator Dalton introduced the Pages and welcomed the members and visitors.

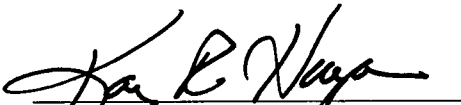
Senator Dalton stated the purpose of the meeting was to consider Senate Bill 1741. The Short Title of Senate bill 1741: ***Modify Appropriations Act of 2005***. The Long Title: ***An Act to Modify the Current Operations and Capital Appropriations Act of 2005, to Enact an Early Reduction in the Sales Tax Rate, and an Early Reduction in the Income Tax Rate Applicable to Most Small Businesses, to Increase the Minimum Wage, and to Provide for the Financing of Construction of Psychiatric Hospitals and Other Capital Projects.*** (Please see Attachment 1). The Legislative Actuarial Note is included as Attachment 2.

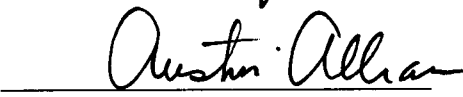
Senator Dannelly made a motion to give ***Senate Bill 1741 a Favorable Report with a Re-referral to Finance***. The motion carried.

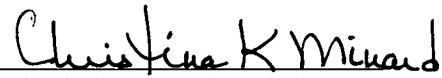
Senator Dalton thanked the Committee and adjourned the meeting.

  
Senator Walter Dalton, Co-Chair

  
Senator Linda Garrou, Co-Chair

  
Senator Kay Hagan, Co-Chair

  
Senator Austin Allran, Co-Chair

  
Christina K. Minard, Senate  
Committee Assistant

**NORTH CAROLINA GENERAL ASSEMBLY  
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT**

**Senator Linda Garrou, Co-Chair  
Senator Kay R. Hagan, Co-Chair  
Senator Walter H. Dalton, Co-Chair  
Senator Austin M. Allran, Co-Chair**

Tuesday, May 23, 2006

Senator HAGAN,  
submits the following with recommendations as to passage:

**FAVORABLE**

S.B.	<b>1741</b>	Modify Appropriations Act of 2005.	
		Sequential Referral:	None
		Recommended Referral:	Finance

**TOTAL REPORTED: 1**

Committee Clerk Comments:

**Chris Minard (Sen. Garrou)**

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**From:** Chris Minard (Sen. Garrou)  
**Sent:** Monday, May 22, 2006 6:19 PM  
**To:** @Senate/Appropriations/Base Budget; @SenateCommitteeNotice; Adam Levinson (Fiscal Research); Beth Braswell (Bill Drafting); Drupti Chauhan (Research); Interested Parties; Kristine Leggett (Fiscal Research); Richard Bostic (Fiscal Research); Robin Johnson (Research); Sarah Fuerst (Bill Drafting); Shirley Iorio (Research)  
**Cc:** @SenateCommitteeNotice  
**Subject:** Senate Appropriations Committee Meeting - Tuesday, May 23, 2006

Principal Clerk \_\_\_\_\_  
Reading Clerk \_\_\_\_\_

**SENATE**  
**NOTICE OF COMMITTEE MEETING**  
**AND**  
**BILL SPONSOR NOTICE**

The Senate Committee on **Appropriations/Base Budget** will meet at the following time:

<b>DAY</b>	<b>DATE</b>	<b>TIME</b>	<b>ROOM</b>
Tuesday	May 23, 2006	10:30 AM	643 LOB

The following will be considered:

2006 Senate Budget Bill

Senator Linda Garrou, Co-Chair  
Senator Kay R. Hagan, Co-Chair  
Senator Walter H. Dalton, Co-Chair

## GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

S

1

## SENATE BILL 1741

Short Title: Modify Appropriations Act of 2005.

(Public)

Sponsors: Senators Garrou, Dalton, Hagan; Albertson, Atwater, Berger of Franklin, Bland, Boseman, Clodfelter, Cowell, Dannelly, Dorsett, Graham, Holloman, Hoyle, Kerr, Kinnaird, Lucas, Malone, Purcell, Rand, Snow, Soles, Swindell, and Weinstein.

Referred to: Appropriations/Base Budget.

May 22, 2006

## A BILL TO BE ENTITLED

AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL APPROPRIATIONS ACT OF 2005, TO ENACT AN EARLY REDUCTION IN THE SALES TAX RATE AND AN EARLY REDUCTION IN THE INCOME TAX RATE APPLICABLE TO MOST SMALL BUSINESSES, TO INCREASE THE MINIMUM WAGE, AND TO PROVIDE FOR THE FINANCING OF CONSTRUCTION OF PSYCHIATRIC HOSPITALS AND OTHER CAPITAL PROJECTS.

The General Assembly of North Carolina enacts:

## PART I. INTRODUCTION AND TITLE OF ACT

## INTRODUCTION

SECTION 1.1. The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget. Savings shall be effected where the total amounts appropriated are not required to perform these services and accomplish these purposes and, except as allowed by the Executive Budget Act, or this act, the savings shall revert to the appropriate fund at the end of each fiscal year.

## TITLE OF ACT

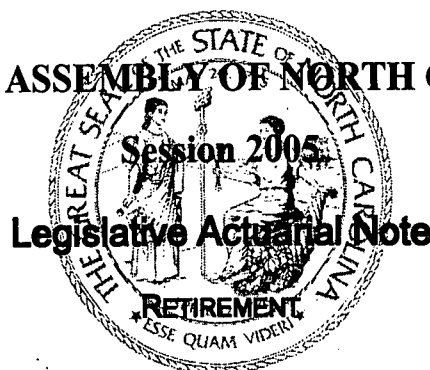
SECTION 1.2. This act shall be known as "The Current Operations and Capital Improvements Appropriations Act of 2006."

## PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

## CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated are adjusted for the fiscal year ending June 30, 2007, according to the schedule that follows. Amounts set out in brackets are reductions from General Fund appropriations for the 2006-2007 fiscal year.

## GENERAL ASSEMBLY OF NORTH CAROLINA



**BILL NUMBER:** Senate Bill 1741 (First Edition)

**SHORT TITLE:** Modify Appropriations Act of 2005.

**SPONSOR(S):** Senator Garrou

**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% 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 1.02% 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	\$86.4M	\$90.1M	\$93.8M	\$97.8M	\$101.9M
Highway Fund	\$ 4.3M	\$ 4.4M	\$ 4.6M	\$ 4.8M	\$5.0M
Receipt Funds	<u>\$27.5M</u>	<u>\$28.7M</u>	<u>\$29.9M</u>	<u>\$31.2M</u>	<u>\$32.5M</u>
<b>TOTAL COST</b>	<b>\$118.2M</b>	<b>\$123.2M</b>	<b>\$128.4M</b>	<b>\$133.8M</b>	<b>\$139.4M</b>

**General Assembly Actuary:** Hartman & Associates estimates the cost to be 0.93% 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	\$78.8M	\$82.1M	\$85.6M	\$89.2M	\$92.9M
Highway Fund	\$ 3.9M	\$ 4.1M	\$ 4.2M	\$ 4.4M	\$4.6M
Receipt Funds	<u>\$25.1M</u>	<u>\$26.2M</u>	<u>\$27.3M</u>	<u>\$28.4M</u>	<u>\$29.6M</u>
<b>TOTAL COST</b>	<b>\$107.8M</b>	<b>\$112.3M</b>	<b>\$117.1M</b>	<b>\$122.0M</b>	<b>\$127.1M</b>

There are available gains of 0.70% of payroll in the Teachers' and State Employees' Retirement System so an increase of 0.32% 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	\$27.1M	\$28.3M	\$29.4M	\$30.7M	\$32.0M
Highway Fund	\$ 1.3M	\$ 1.4M	\$ 1.5M	\$ 1.5M	\$ 1.6M
Receipt Funds	<u>\$ 8.6M</u>	<u>\$ 9.0M</u>	<u>\$ 9.4M</u>	<u>\$ 9.8M</u>	<u>\$ 10.2M</u>
<b>TOTAL COST</b>	<b>\$37.1M</b>	<b>\$38.6M</b>	<b>\$40.3M</b>	<b>\$42.0M</b>	<b>\$43.7M</b>

#### **Consolidated Judicial Retirement System**

**Retirement System Actuary:** Buck Consultants estimates the cost to be 1.59% of payroll.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2001-11</u>
<b>General Fund</b>	<b>\$860,190</b>	<b>\$884,619</b>	<b>\$909,743</b>	<b>\$935,579</b>	<b>\$962,150</b>

**General Assembly Actuary:** Hartman & Associates estimates the cost to be 1.44% of payroll.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2001-11</u>
<b>General Fund</b>	<b>\$779,040</b>	<b>\$801,165</b>	<b>\$823,918</b>	<b>\$847,317</b>	<b>\$871,381</b>

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 1.65% of payroll.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2001-11</u>
<b>General Fund</b>	<b>\$59,813</b>	<b>\$59,813</b>	<b>\$59,813</b>	<b>\$59,813</b>	<b>\$59,813</b>

**General Assembly Actuary:** Hartman & Associates estimates the cost to be 1.47% of payroll.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2001-11</u>
<b>General Fund</b>	<b>\$53,288</b>	<b>\$53,288</b>	<b>\$53,288</b>	<b>\$53,288</b>	<b>\$53,288</b>

**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>2010-11</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>2010-11</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 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 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:** May 23, 2006



Signed Copy Located in the NCGA Principal Clerk's Offices

## MINUTES

### SENATE PENSIONS & RETIREMENT AND AGING

June 7, 2006

The Senate Committee on Pensions & Retirement and Aging met on Wednesday, June 7, 2006, in room 643 of the Legislative Office Building. Senator Walter Dalton, Co-Chair, called the meeting to order. There were 18 members present.

Senator Dalton introduced the following Pages: Lynwood Smith, High Point – sponsored by Senator Hagan; Coty Stroud, Trenton – sponsored by Senator Brown; Laura Cowan, Fayetteville – sponsored by Senator Rand; Carson Blackley, Bullock – sponsored by Senator Swindell; Wiley Narron, Smithfield – sponsored by Senator Smith; Josh Ludwig, Wake Forest – sponsored by Senator Pittenger; Will Cottrell, Oxford – sponsored by Senator Swindell and Nathan Honaker, Raleigh – sponsored by Senator Pittenger.

Senator Dalton announced the Committee would consider the following bills:

- Senate Bill 1738, Long-Term Disability Amendment.
- House Bill 447, LEO Creditable Service/Workers' Compensation.
- House Bill 1237, Change Local Governmental Retirement Board.

With Senator Kay Hagan, Co-Chair, presiding, Senator Dalton briefed the Committee regarding Senate Bill 1738. Senator Dalton is the Primary Sponsor of Senate Bill 1738. He outlined the needs for the proposed legislation. The Short Title of Senate Bill 1738: ***Long-Term Disability Amendment***. The Long Title: ***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. (Please see Attachment 1).*** The Legislative Actuarial Note is included as Attachment 2).

Michael Williamson, Deputy Treasurer for Retirement Systems, spoke in support of Senate Bill 1738. Mr. Cecil Banks, Government Relations, NCAE, also spoke in support of the proposed legislation.

Senator Albertson made a motion to give ***Senate Bill 1738 a Favorable Report***. The motion carried.

House Bill 1237 was the second item on the agenda. Senator Purcell made a motion to accept a Committee Substitute for purposes of discussion. The motion carried.

Senator Dalton, Co-Chair, introduced Representative Russell Tucker, Primary Sponsor of House Bill 1237. Representative Tucker briefed the Committee regarding House Bill 1237.

The Short Title of House Bill 1237: ***Change Local Governmental Retirement Board***. The Long Title: ***An Act to Revise the Membership of the Board of Trustees of the Local Governmental Employees' Retirement System. (Please see Attachment 3).***

The Bill Analysis for HB 1237 is included as *Attachment 4*.

Senator Albertson made a motion to grant ***House Bill 1237*** the following status:  
***Unfavorable as to Committee Substitute Bill No. 1, But Favorable as to Senate Committee Substitute Bill.*** The motion passed.

Senator Dalton stated the last bill to be considered at the meeting would be House Bill 447. Senator Dorsett recommended that the Committee accept a proposed Committee Substitute for purposes of discussion. The motion carried.

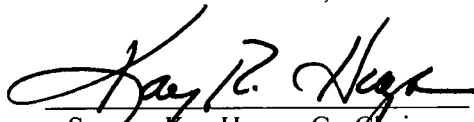
Senator Dalton introduced Representative Rick Glazier to explain House Bill 447. Representative Glazier briefed the Committee on the bill.

The Short Title of House Bill 447: ***LEO Creditable Service/Workers' Compensation.***  
The Long Title: ***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. (Please see Attachment 5).*** The Legislative Actuarial Note for HB 447 is included as *Attachment 6*, and the Bill Analysis for HB 447 is included as *Attachment 7*.

Senator Dorsett recommended that ***House Bill 447*** be voted the following status:  
***Unfavorable as to Committee Substitute Bill No. 1, But Favorable as to Senate Committee Substitute Bill.*** The motion carried.

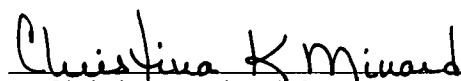
Senator Dalton thanked the Committee and Representatives' Glazier and Tucker, sponsors of the bills, for their explanations to the Committee. He adjourned the meeting.

  
\_\_\_\_\_  
Senator Walter Dalton, Co-Chair

  
\_\_\_\_\_  
Senator Kay Hagan, Co-Chair

  
\_\_\_\_\_  
Senator Linda Garrou, Co-Chair

  
\_\_\_\_\_  
Senator Austin Allran, Co-Chair

  
\_\_\_\_\_  
Christina K. Minard, Senate  
Committee Assistant

**NORTH CAROLINA GENERAL ASSEMBLY  
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT**

**Senator Linda Garrou, Co-Chair  
Senator Kay R. Hagan, Co-Chair  
Senator Walter H. Dalton, Co-Chair  
Senator Austin M. Allran, Co-Chair**

Wednesday, June 07, 2006

Senator DALTON,  
submits the following with recommendations as to passage:

**FAVORABLE**

S.B.	1738	Long-term Disability Amendment.	
		Sequential Referral:	None
		Recommended Referral:	None

**UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 1, BUT FAVORABLE  
AS TO SENATE COMMITTEE SUBSTITUTE BILL**

H.B.(CS #1) 447	LEO Creditable Service/Workers' Compensation.
	Draft Number: PCS 80656
	Sequential Referral: None
	Recommended Referral: None
	Long Title Amended: No

**UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 1, BUT FAVORABLE  
AS TO SENATE COMMITTEE SUBSTITUTE BILL**

H.B.(CS #1) 1237	Change Local Governmental Retirement Board.
	Draft Number: PCS 10620
	Sequential Referral: None
	Recommended Referral: None
	Long Title Amended: No

TOTAL REPORTED: 3

Committee Clerk Comments:

Principal Clerk \_\_\_\_\_  
Reading Clerk \_\_\_\_\_

**SENATE**  
**NOTICE OF COMMITTEE MEETING**  
**AND**  
**BILL SPONSOR NOTICE**

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

<b>DAY</b>	<b>DATE</b>	<b>TIME</b>	<b>ROOM</b>
Wednesday	June 7, 2006	8:30 a.m.	643 LOB

The following will be considered:

<b>BILL NO.</b>	<b>SHORT TITLE</b>	<b>SPONSOR</b>
HB 447	LEO Creditable Service/Workers' Compensation.	Representative Glazier
HB 1237	Change Local Governmental Retirement Board.	Representative Eddins Representative Tucker
SB 1738	Long-term Disability Amendment.	Senator Dalton

Senator Linda Garrou, Co-Chair  
Senator Kay R. Hagan, Co-Chair  
Senator Walter H. Dalton, Co-Chair  
Senator Austin M. Allran, Co-Chair

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005

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## SENATE BILL 1738

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.

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.



## GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

**BILL NUMBER:** Senate Bill 1738 (First Edition)

**SHORT TITLE:** Long-Term Disability Amendment.

**SPONSOR(S):** Senator Dalton

**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 trial rehabilitation for a period not greater than 36 months without the loss 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**

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005

H

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HOUSE BILL 1237  
Committee Substitute Favorable 5/4/05  
PROPOSED SENATE COMMITTEE SUBSTITUTE H1237-PCS10620-RO-54

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

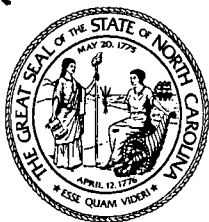
1           (7) One member shall be a retired, Fair Labor Standards Act nonexempt,  
2           local governmental employee of an employer.

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.



# HOUSE BILL 1237: Change Local Governmental Retirement Board

## BILL ANALYSIS

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<b>Committee:</b>	Senate Pensions & Retirement and Aging	<b>Date:</b>	June 6, 2006
<b>Introduced by:</b>	Rep. Tucker	<b>Summary by:</b>	Theresa Matula
<b>Version:</b>	Second Edition		Committee Staff

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**SUMMARY:** *House Bill 1237 revises the membership of the Board of Trustees for the North Carolina Local Governmental Employees' Retirement System.*

### 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,
  - one member that is a county manager of a county participating in the Retirement System,
  - one member that is a city or town manager of a city or town participating in the Retirement System,

# House Bill 1237

Page 2

- one member that is an active local governmental employee of an employer, and
- one member that is a retired local governmental employee of an employer.

## **EFFECTIVE DATE:**

This act would become effective when it becomes law and the additional members shall be designated by the Governor to serve until April 1, 2008 when their successors shall be designated.

*H1237e2-SMSH*

## GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

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## HOUSE BILL 447

Committee Substitute Favorable 4/25/05

## PROPOSED SENATE COMMITTEE SUBSTITUTE H447-PCS80656-SH-62

Short Title: LEO Creditable Service/Workers' Compensation.

(Public)

Sponsors:

Referred to:

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, 2006, the employer percentage rate of contribution payable under  
33 subdivision (2) of this subsection shall be made by the employer that granted the leave  
34 of absence. The cost to the law enforcement officer shall be reduced by the amount paid  
35 by the employer. For purposes of this subsection, "serious bodily injury" means bodily  
36 injury that creates a substantial risk of death, or that causes serious permanent  
37 disfigurement, coma, a permanent or protracted condition that causes extreme pain, or  
38 permanent or protracted loss or impairment of the function of any bodily member or  
39 organ, or that results in 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 the  
42 employer does not discriminate against any eligible law enforcement officer in this  
43 subsection employed by the employer by paying that portion of cost. To the extent paid  
44 by the employer, the employee portion paid by the employer shall be credited to the



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

5 **SECTION 2.** This act becomes effective August 1, 2006, and applies to  
6 members who return to service from an approved leave of absence on or after that date.

## 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

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**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.

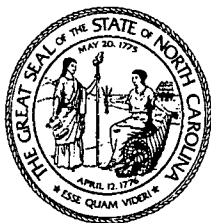
**PREPARED BY:** Stanley Moore

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

Official  
Fiscal Research Division  
Publication

**DATE:** April 5, 2005

**Signed Copy Located in the NCGA Principal Clerk's Offices**



# HOUSE BILL 447: LEO Creditable Service/Workers' Compensation

## BILL ANALYSIS

<b>Committee:</b>	Senate Ref to Pensions & Retirement and Aging. If fav, re-ref to Appropriations/Base Budget	<b>Date:</b>	June 6, 2006
<b>Introduced by:</b>	Reps. Glazier, Eddins	<b>Summary by:</b>	Karen Cochrane-Brown
<b>Version:</b>	Second 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.

**EFFECTIVE DATE:** This act becomes effective July 1, 2005. [The bill should be amended to avoid retroactivity.]

H0447e2-SMRO

# VISITOR REGISTRATION SHEET

## PENSIONS & RETIREMENT AND AGING

Wednesday, June 7, 2006

NAME	FIRM OR AGENCY AND ADDRESS
Leonard King	NCLM
ELLIS HANKINS	NCLM
David Anders	PFFPAC
Paul Meyer	NCHCC
Andy Lomen-T	NCLM
Donna Winn	NCSBA
Ryan Bone	Bone & Assoc
Jul Bone	Bone & Assoc.

**Wednesday, June 7, 2006**

[illegible]

## MINUTES

### SENATE PENSIONS & RETIREMENT AND AGING

June 28, 2006

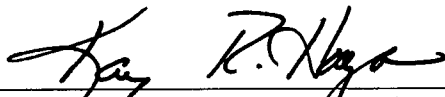
The Senate Committee on Pensions & Retirement and Aging met on Wednesday, June 28, 2006, in the Senate Chamber. There were 17 members present.

Senator Hagan, Co-Chair, presided. She stated there would be only one bill on the agenda to be considered, House Bill 1974. Stanley Moore, Fiscal Analyst, briefed the Committee members on HB 1974.

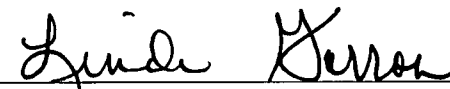
The Short Title of House Bill 1974: ***Reemployment of Certain Retired Employees.*** The Long Title: ***An Act to Authorize the Reemployment of Certain Retired Community College Employees who were Provided Incorrect Information about the Waiting Period for Reemployment.*** (Please see Attachment 1). The Legislative Actuarial Note is included as Attachment 2.

Senator Bingham made a motion for a ***Favorable Report for House Bill 1974.*** The Committee concurred.

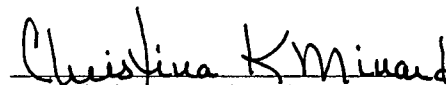
Senator Hagan thanked the members and adjourned the meeting.

  
\_\_\_\_\_  
Senator Kay Hagan, Co-Chair

  
\_\_\_\_\_  
Senator Walter Dalton, Co-Chair

  
\_\_\_\_\_  
Senator Linda Garrou, Co-Chair

  
\_\_\_\_\_  
Senator Austin Allran, Co-Chair

  
\_\_\_\_\_  
Christina K. Minard, Senate  
Committee Assistant

**NORTH CAROLINA GENERAL ASSEMBLY  
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT**

**Senator Linda Garrou, Co-Chair  
Senator Kay R. Hagan, Co-Chair  
Senator Walter H. Dalton, Co-Chair  
Senator Austin M. Allran, Co-Chair**

Wednesday, June 28, 2006

Senator HAGAN,  
submits the following with recommendations as to passage:

**FAVORABLE**

H.B.	<b>1974</b>	Reemployment of Certain Retired Employees.
		Sequential Referral: None
		Recommended Referral: None

TOTAL REPORTED: 1

Committee Clerk Comments:



**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005**

**H**

**1**

**HOUSE BILL 1974**

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Short Title: Reemployment of Certain Retired Employees. (Public)  
Sponsors: Representatives Owens; England, Justice, Parmon, Pate, and Womble.  
Referred to: Pensions and Retirement.

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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.

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## 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**

## MINUTES

### SENATE PENSIONS & RETIREMENT AND AGING

July 5, 2006

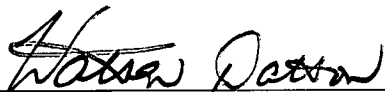
The Senate Committee on Pensions & Retirement and Aging met on Wednesday, July 5, 2006, in the Senate Chambers. There were 18 members present.

Senator Walter Dalton, Co-Chair, called the meeting to order. He stated the purpose of the meeting was to consider House Bill 2651. He requested that Mr. Stanley Moore, Fiscal Analyst, brief the committee on the proposed legislation. Mr. Moore presented an outline of House Bill 2651.

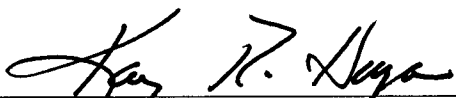
The Short Title of House Bill 2651: ***Roth 401k Accounts/Law Enforcement Officers***. The Long Title: ***An Act to Provide for Roth 401k Contributions for Law Enforcement Officers***. (Please see Attachment 1). The Legislative Actuarial Note is included as Attachment 2.

Senator Dorsett made a motion to give ***House Bill 2651 a Favorable Report***. The motion carried.

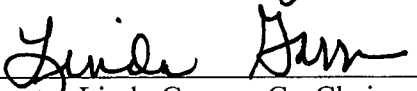
Senator Dalton thanked the members and Mr. Moore for his briefing. He adjourned the meeting.



Senator Walter Dalton, Co-Chair



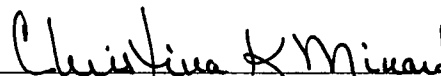
Senator Kay Hagan, Co-Chair



Senator Linda Garrou, Co-Chair



Senator Austin Allran, Co-Chair



Christina K. Minard, Senate  
Committee Assistant

**NORTH CAROLINA GENERAL ASSEMBLY  
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT**

**Senator Linda Garrou, Co-Chair  
Senator Kay R. Hagan, Co-Chair  
Senator Walter H. Dalton, Co-Chair  
Senator Austin M. Allran, Co-Chair**

Wednesday, July 05, 2006

Senator DALTON,  
submits the following with recommendations as to passage:

**FAVORABLE**

H.B.	<b>2651</b>	Roth 401k Accounts/Law Enforcement Officers.
		Sequential Referral: None
		Recommended Referral: None

**TOTAL REPORTED: 1**

Committee Clerk Comments:

## 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

## A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR ROTH 401K CONTRIBUTIONS FOR LAW  
ENFORCEMENT OFFICERS.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 143-166.30(h) reads as rewritten:

"(h) Notwithstanding any other provisions of law, any pending or inchoate rights of a member of the Law-Enforcement Officers' Retirement System as of their transfer to the State Retirement System on January 1, 1985, including the rights to a vested deferred retirement allowance and to commence retirement at certain ages with required years of service as a law-enforcement officer, shall in no way be diminished; provided, however, in no event may a member commence retirement and continue membership service with the same Retirement System.

No eligible officer shall be precluded from exercising that officer's pending or inchoate rights under this section, should the officer elect to make Roth after-tax contributions to the Supplemental Retirement Income Plan, except that these Roth after-tax contributions and the earnings thereon shall not be subsequently transferred to the Teachers' and State Employees' Retirement System."

**SECTION 2.** G.S. 143-166.50(c) reads as rewritten:

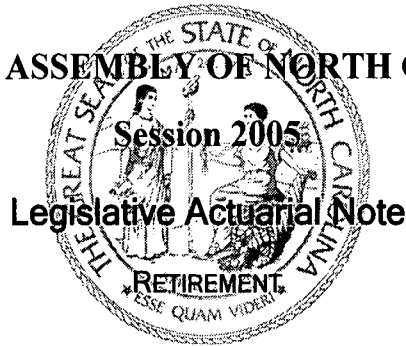
"(c) Rights. – Notwithstanding any other provisions of law, any accrued or inchoate rights of a member of the Law-Enforcement Officers' Retirement System as of his transfer to the Local Governmental Employees' Retirement System on January 1, 1986, including the rights to a vested deferred retirement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

No eligible officer shall be precluded from exercising that officer's pending or inchoate rights under this section, should the officer elect to make Roth after-tax 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.

## GENERAL ASSEMBLY OF NORTH CAROLINA



**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

## MINUTES

### SENATE PENSIONS & RETIREMENT AND AGING July 11, 2006

The Senate Committee on Pensions & Retirement and Aging met on Tuesday, July 11, 2006, in the Senate Chamber. There were 18 members present.

Senator Hagan, Co-Chair, presided at the meeting. She announced that two bills would be considered by the Committee: House Bill 853 and House Bill 2223.

Senator Rand made a motion to accept a proposed Senate Committee Substitute for House Bill 853. The Committee concurred.

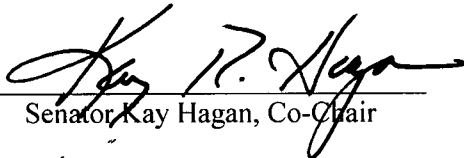
The Short Title of House Bill 853: *Optional Retirement Program Changes*. The Long Title: *An Act to Provide for the Purchase of Creditable Service for Periods of Service Under the Optional Retirement Program for State Institutions of Higher Education and to Include the North Carolina School of Science and Mathematics within the Optional Retirement Program for the University of North Carolina.* (Please see Attachment 1). The Legislative Actuarial Note is included as Attachment 2.

Following a short discussion, Senator Weinstein made a motion to accept *House Bill 853* as *Unfavorable as to Committee Substitute Bill No. 1, but Favorable as to Senate Committee Substitute Bill*. The motion carried.

Next, House Bill 2223 was presented. The Short Title of House Bill 2223: *Charlotte Firefighters' Retirement Changes*. The Long Title: *An Act to Amend the Law Establishing the Charlotte Firefighters' Retirement System.* (Please see Attachment 3). The Legislative Actuarial Note is included as Attachment 4.

Senator Lucas made a motion for a *Favorable Report for House Bill 2223*. The Committee concurred.

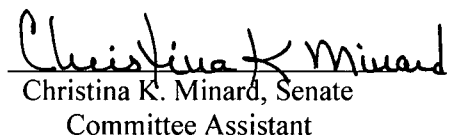
Senator Hagan thanked the Committee members and adjourned the meeting.

  
Senator Kay Hagan, Co-Chair

  
Senator Walter Dalton, Co-Chair

  
Senator Linda Garrou, Co-Chair

  
Senator Austin Allran, Co-Chair

  
Christina K. Minard, Senate  
Committee Assistant

**NORTH CAROLINA GENERAL ASSEMBLY  
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT**

**Senator Linda Garrou, Co-Chair  
Senator Kay R. Hagan, Co-Chair  
Senator Walter H. Dalton, Co-Chair  
Senator Austin M. Allran, Co-Chair**

Tuesday, July 11, 2006

Senator HAGAN,  
submits the following with recommendations as to passage:

**FAVORABLE**

H.B.(CS #1) **2223**      Charlotte Firefighters Retirement Changes.  
Sequential Referral:                  None  
Recommended Referral:              None

**UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 1, BUT FAVORABLE  
AS TO SENATE COMMITTEE SUBSTITUTE BILL**

H.B.(CS #1) **853**      Reciprocity/Optional Retirement System.  
Draft Number:                          PCS80677  
Sequential Referral:                  None  
Recommended Referral:              None  
Long Title Amended:                Yes

**TOTAL REPORTED: 2**

Committee Clerk Comments:

## GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

H

D

## HOUSE BILL 853\*

Committee Substitute Favorable 6/22/06

## PROPOSED SENATE COMMITTEE SUBSTITUTE H853-PCS80677-LL-36

Short Title: Optional Retirement Program Changes.

(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 AND TO INCLUDE THE NORTH CAROLINA SCHOOL OF SCIENCE AND MATHEMATICS WITHIN THE OPTIONAL RETIREMENT PROGRAM FOR THE UNIVERSITY OF NORTH CAROLINA.

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

1 increases, as determined by the Board of Trustees, from the earliest age at which a  
2 member could retire on an unreduced service allowance."

3 **SECTION 2.** The catch line of G.S. 135-5.1 reads as rewritten:

4 "**§ 135-5.1. Optional retirement program for ~~State institutions of higher~~**  
5 **~~education.~~The University of North Carolina.**"

6 **SECTION 3.** G.S. 135-5.1(a) reads as rewritten:

7 "(a) An Optional Retirement Program provided for in this section is authorized  
8 and established and shall be implemented by the Board of Governors of The University  
9 of North Carolina. The Optional Retirement Program shall be underwritten by the  
10 purchase of annuity contracts, which may be both fixed and variable contracts or a  
11 combination thereof, or financed through the establishment of a trust, for the benefit of  
12 participants in the Program. Participation in the Optional Retirement Program shall be  
13 limited to ~~university~~ University personnel who are eligible for membership in the  
14 Teachers' and State Employees' Retirement Program and who are:

- 15 (1) Administrators and faculty of The University of North Carolina with  
16 the rank of instructor or above;
- 17 (2) The President and employees of The University of North Carolina who  
18 are appointed by the Board of Governors on recommendation of the  
19 President pursuant to G.S. 116-11(4), 116-11(5), and 116-14 or who  
20 are appointed by the Board of Trustees of a constituent institution of  
21 The University of North Carolina upon the recommendation of the  
22 Chancellor pursuant to G.S. 116-40.22(b);
- 23 (3) Nonfaculty instructional and research staff who are exempt from the  
24 State Personnel Act, as defined by the provisions of G.S. ~~126-5(e1)(8);~~  
25 26-5(c1)(8), and the faculty of the North Carolina School of Science  
26 and Mathematics; and
- 27 (4) Field faculty of the Cooperative Agriculture Extension Service, and  
28 tenure track faculty in North Carolina State University agriculture  
29 research programs who are exempt from the State Personnel Act and  
30 who are eligible for membership in the Teachers' and State Employees'  
31 Retirement System pursuant to G.S. 135-3(1), who in any of the cases  
32 described in this subsection (i) had been members of the Optional  
33 Retirement Program under the provisions of Chapter 338, Session  
34 Laws of 1971, immediately prior to July 1, 1985, or (ii) have sought  
35 membership as required in subsection (b), below. Under the Optional  
36 Retirement Program, the State and the participant shall contribute, to  
37 the extent authorized or required, toward the purchase of such  
38 contracts or deposited in such trust on the participant's behalf."

39 **SECTION 4.** Sections 2 and 3 of this act become effective July 1, 2007, and  
40 Section 3 of this act applies only to eligible persons who are employees as of July 1,  
41 2007, or who are employed thereafter. The remainder of this act is effective when it  
42 becomes law.

## GENERAL ASSEMBLY OF NORTH CAROLINA



**BILL NUMBER:** House Bill 853 (Third Edition)

**SHORT TITLE:** Optional Retirement Program Changes.

**SPONSOR(S):**

**FUNDS AFFECTED:** General Fund and Receipts Funds

**SYSTEM OR PROGRAM AFFECTED:** Teachers' & State Employees' Retirement System and the University of North Carolina Optional Retirement Program.

**EFFECTIVE DATE:** Section 1 of the bill relating to the purchase of time while in the Optional Retirement Program as creditable service in the Teachers' & State Employees' Retirement System is effective when it becomes law. Sections 2 & 3 of the bill that relate to the employees of the School of Science and Math being eligible to participate in the Optional Retirement Program are effective July 1, 2007.

**BILL SUMMARY:** The 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.

The bill also allows the employees who are appointed by the Board of Governors and the faculty of the School of Science and Math, who are employed as of July 1, 2007 or after, to make an irrevocable election to participate in the Teachers' & State Employees' Retirement System or the University of North Carolina Optional Retirement Program. The total number of employees affected by this change is about 95 to 100.

**ESTIMATED IMPACT ON STATE:** The Retirement System's Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, agree that the cost will be negligible to allow those certain employees of the School of Science and Math who are employed as of July 1, 2007 or after to make an irrevocable election to participate in the Teachers' & State Employees' Retirement System or the University of North Carolina Optional Retirement Program. There is no cost for the section of the bill that allows a member of the Teachers' & State Employees' Retirement System to purchase the years and months of service while a member of the Optional Retirement Program.

**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:** July 12, 2006



Signed Copy Located in the NCGA Principal Clerk's Offices

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005

H

2

HOUSE BILL 2223\*  
Committee Substitute Favorable 6/22/06

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.

In addition to the other applicable limitations set forth in this Act, and notwithstanding any other provision of this Act to the contrary, for



1 Plan Years beginning on or after January 1, 2002, the annual  
2 Compensation of each Member taken into account under the Act shall  
3 not exceed two hundred thousand dollars (\$200,000), the annual  
4 compensation limit under section 401(a)(17) of the Internal Revenue  
5 Code, as amended by section 611(c) of the Economic Growth and Tax  
6 Relief Reconciliation Act of 2001. Annual compensation means  
7 compensation during the Plan Year or such other 12-month period  
8 over which Compensation is otherwise determined (the 'determination  
9 period'). If a determination period consists of fewer than 12 months,  
10 the annual compensation limit will be multiplied by a fraction, the  
11 numerator of which is the number of months in the determination  
12 period, and the denominator of which is 12. For purposes of  
13 determining benefit accruals in a plan year, beginning after December  
14 31, 2001, the compensation limit for any prior determination period  
15 shall be two hundred thousand dollars (\$200,000). The two hundred  
16 thousand dollars (\$200,000) limit on annual compensation shall be  
17 adjusted for cost-of-living increases in accordance with section  
18 401(a)(17)(B) of the Code."

19 **SECTION 2.** Section 13.1 of Chapter 926 of the 1947 Session Laws, as  
20 rewritten by Section 1 of Chapter 830 of the 1991 Session Laws, Chapter 171 of the  
21 1995 Session Laws, Chapter 640 of the 1993 Session Laws, S.L. 1999-100, S.L.  
22 2001-22, and S.L. 2002-43, is amended by adding a new subsection to read:

23 "(c) In the event of a mandatory distribution greater than one thousand dollars  
24 (\$1,000) that is made without the Member's consent and is made to the Member before  
25 the Member attains the later of age 62 or Normal Retirement Age, if the Member does  
26 not elect to have such distribution paid directly to an eligible retirement plan specified  
27 by the Member in a direct rollover or to receive the distribution from the Plan, the  
28 Administrator shall pay the distribution in a direct rollover to an individual retirement  
29 plan designated by the Administrator."

30 **SECTION 3.** None of the provisions of this act shall create an additional  
31 liability for the Charlotte Firefighters' Retirement System unless sufficient assets are  
32 available to pay for the liability.

33 **SECTION 4.** This act becomes effective July 1, 2006.

## GENERAL ASSEMBLY OF NORTH CAROLINA



**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**