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STATE TREASURER OF NORTH CAROLINA

STEVEN C. TOOLE
EXECUTIVE DIRECTOR

MEMORANDUM

TO: Boards of Trustees of the
Teachers' and State Employees' Retirement System and
Local Governmental Employees' Retirement System

FROM: Steven C. Toole, Executive Director

DATE: January 26, 2017

SUBJECT: Increase in Reemployment Earnings
Before Suspension of Retirement Allowance

Question

What percentage increase should the Boards authorize, effective January 1, 2017, in the amount of compensation a reemployed beneficiary may earn from an employer that participates in the same Retirement System under which the beneficiary is retired?

Background

G.S. § 128-24(5)c. and G.S. § 135-3(8)c. provide as follows:

“Should a beneficiary who retired on an early or service retirement allowance under this Chapter be reemployed by, or otherwise engaged to perform services for, an employer participating in the Retirement System on a part time, temporary, interim, or on a fee for service basis, whether contractual or otherwise, and if such beneficiary earns an amount during the 12 month period immediately following the effective date of retirement or in any calendar year which exceeds fifty percent (50%) of the reported compensation, excluding terminal payments, during the 12 months of service preceding the effective date of retirement, or twenty thousand dollars (\$20,000), whichever is greater, as hereinafter indexed, then the retirement allowance shall be suspended as of the first day of the month following the month in which the reemployment earnings exceed the amount above, for the balance of the calendar year, except when the reemployment earnings exceed the amount above in the month of December, in which case the retirement allowance shall not be suspended. The retirement allowance of the beneficiary shall be reinstated as of January 1 of each year following suspension. The amount that may be earned before suspension shall be increased on January 1 of each year by the percentage change between the December Consumer Price Index in the year prior to retirement and the December Consumer Price Index in the year most recently ended, calculated to the nearest tenth of a percent (1/10 of 1%), provided that this percentage change is positive”. [Emphasis Added]

Memorandum
January 26, 2017
Page Two

The above law was originally enacted with an effective date of January 1, 1995. Based on the Consumer Price Index, as published by the United States Department of Labor, which increased by 0.7%, from January 1, 2015, to January 1, 2016, the Boards of Trustees increased the 50% of compensation amounts by 0.7% and increased the adjusted amount to \$31,600.00, both effective January 1, 2016.

The increase in the Consumer Price Index as of January 1, 2017, for the period from January 1, 2016 through December 31, 2016, as published by the United States Department of Labor (DOL) was 2.1%.

Recommendation

The staff recommends that the Boards authorize an increase in the amounts provided for in G.S. § 128-24(5)c. and G.S. § 135-3(8)c., equal to the 2.1% increase in the Consumer Price Index for the period from January 1, 2016, to January 1, 2017, by increasing the 50% of compensation amount by 2.1% and by increasing the adjusted amount to \$32,260, both effective January 1, 2017.