



MEMORANDUM

TO: Local Governmental Employees' Retirement System Board of Trustees (Board)

FROM: Patrick Kinlaw, Director of Policy, Planning, and Compliance

DATE: July 25, 2024

SUBJECT: Local Unit Applying for Participation in the Local Governmental Employees' Retirement System and Election to Pick Up Employee Contributions

Pursuant to N.C.G.S. § 128-23(c), this memorandum details the requests from one (1) local unit that desires to join the Local Governmental Employees' Retirement System (LGERS). The following unit has elected participation for general employees in LGERS with an effective date of October 1, 2024. Employer participation requires approval by the Board of Trustees.

Unit	Net Employer Contribution Rate upon Entrance	Number of Eligible Employees	Pick-Up Date
Swain County Tourism Development Authority (SCTDA)	13.60%	5	October 1, 2024

There are no units to be added to LGERS only with respect to law enforcement officers pursuant to N.C.G.S. § 128-23(g). (Had there been any, this action would not require approval by the Board.)

Note regarding surety requirement: Under G.S. 128-23.1(i), any employer wishing to join LGERS as an employer on or after September 1, 2023, other than a taxing authority, must obtain a surety to cover an estimate of the withdrawal liability should the employer later cease participation. For more information about this requirement as it applies to the local unit under consideration, please see below.

Retirement Systems Division (RSD) staff has confirmed that the SCTDA meets the basic legal and financial requirements and is therefore eligible to be approved by the Board for participation in LGERS.

Swain County Tourism Development Authority (SCTDA)

The Swain County Board of Commissioners was originally authorized under S.L. 2007-23 as amended by 2023-144 to adopt a resolution to establish the SCTDA as a public authority under the Local Government Budget and Fiscal Control Act. The SCTDA has 5 eligible general employees; however, at the time of applying for enrollment there were 6 eligible employees. The SCTDA estimates total annual salaries for these 5 positions to be \$234,125. The employer contribution rate would be 13.60% of compensation.

The SCTDA is not a taxing authority, and is therefore required to obtain a surety under G.S. 128-23.1(i) as a condition of participating in LGERS. The Board has adopted administrative rules under 20 NCAC 02C .0210-.0211 defining this requirement. The surety must be in an amount greater than or equal to the estimated withdrawal liability after ten years, as estimated by the LGERS consulting actuary, and must be maintained in a "secure financial instrument," one example being an escrow account. In approving Rules .0210 and .0211, the Board considered whether to allow taxing units to promise to pay the withdrawal liability, if incurred, on behalf of non-taxing authorities in their jurisdiction; the Board deemed this approach non-viable because of significant questions about the authority of taxing units' governing boards to provide such assurance in a binding manner. (See "Approved Fiscal Note and Rule Text / Surety Rules" from materials of the July 27, 2023 Board meeting.)

For the SCTDA, the consulting actuary for LGERS calculated the required surety amount to be \$111,055. The SCTDA's Board of Directors voted unanimously on March 13, 2024 to maintain the required surety amount in escrow, in satisfaction of Rule .0211(a). On April 24, 2024, the SCTDA established an escrow account at an FDIC-insured bank with a balance of \$111,055. In May 2024, the SCTDA provided RSD with the account agreement and a statement of the balance, which are available for review by Board members upon request. In July 2024, the SCTDA provided the Acknowledgement and Acceptance of Withdrawal Liability letter in satisfaction of Rule .0211(b).

Financial Note:

The SCTDA is reported as a component unit of Swain County. During the fiscal year ended June 30, 2023, the SCTDA had revenues of \$1,954,119 and expenses of \$2,147,346, resulting in a \$193,227 decrease in net position. As of June 30, 2023, the SCTDA had cash and cash equivalents of \$323,709; receivables of \$149,204; net capital assets of \$692,142; and no liabilities. As of June 30, 2023, the General Fund of the SCTDA had an unassigned fund balance of \$323,709, a decline of \$582,675 for the year ended June 30, 2023, and the TDA's expenditures exceeded the amount budgeted for that year by \$236,789.

Staff Recommendation:

Department of State Treasurer staff has concluded that the SCTDA's financial reports indicate they would be able to make the required contributions for LGERS participation.