

JANET COWELL
TREASURER

STEVE TOOLE
RETIREMENT SYSTEMS DIRECTOR

July 12, 2016

TO: Board of Trustees of the Teachers' and State Employees' Retirement System

FM: Steven C. Toole, Retirement Systems Director

RE: FY 2016-2017 Increase for Disability Income Plan of North Carolina (DIPNC) Recipients

- The 2016 state budget may grant a 1.5% salary increase for most active state employees, effective July 1, 2016.
- N.C. General Statute 135-108 provides that the compensation on which DIPNC benefits are calculated "may be increased by any permanent across-the-board salary increase granted to employees of the State by the General Assembly."
- In order to implement the increase provided for in the state budget and to ensure compliance with N.C. General Statute 135-108, the Retirement Systems Division is recommending that the Board authorize the Division to increase the compensation on which DIPNC benefits are calculated equal to the percentage increase afforded to most active state employees in the state budget.
- Most recently, it has been the custom and practice of the Retirement Systems Division to make this request of the Board of Trustees for approval of a benefit increase for DIPNC recipients when the General Assembly provides for a pay increase for most other active state employees. On July 20, 2006, July 19, 2007, July 17, 2008, July 19, 2012, July 17, 2014, and July 16, 2015, the Division made analogous recommendations, each of which were approved by the Board.
- The General Assembly passed House Bill 1030 on July 1, 2016, and presented it to the Governor for signature the same day. The Governor has until July 31, 2016, to sign or veto the legislation. As of the date of the writing of this memo, the Governor has not signed the bill. If signed by the Governor, then the new law would provide for a 1.5% across-the-board salary increase granted to employees of the State.

Suggested Motion:

The Retirement Systems Division shall increase the compensation upon which DIPNC disability benefits are based by an equivalent percentage to the salary increase for most active state employees effective July 1, 2016.