

Future of Retirement Study Commission
April 19, 2010, 9:00 a.m.
Dawson Conference Room
Albemarle Building, 325 N. Salisbury Street
Raleigh, NC

The meeting was called to order by Dr. Robert Clark, Chairman at 9:05 a.m.

Members Present

Commission members present were: Charles Abernathy, Mary Bethel, Randy Byrd, Joseph Coletti, Monda Griggs, Charles Johnson, Shirley Morrison, Aaron Noble, and Representative Deborah Ross.

Members Absent

Commission members Darleen Johns, Charles Perusse and Senator Richard Stevens were absent.

DST Staff Present

Members present from the Department of State Treasurer were Michael Williamson, David Vanderweide, Allan Beckmann, Christopher Jones, Debra Bryan, Meredith Rouse-Davis, David Starling, Ellen Richardson, Anthony Solari and Pat Stussie.

Approval of Minutes

It was moved by Mary Bethel and seconded by Shirley Morrison and carried that the minutes of the meeting of the Commission held on March 22, 2010 be approved.

Presentations of Employers

Dr. Clark recognized David Vanderweide to introduce the presenters.

The following made presentations to the Commission:

- Rebecca Troutman for the NC Association of County Commissioners
- Paul Meyer for the NC League of Municipalities
- Linda Coleman for the Office of State Personnel
- Jane Phillips for the NC Community Colleges
- Jack Stone for the Department of Public Instruction

- Melisa Jessup from Stokes County Schools and NC Association of School Administrators as a representative of local education agencies
- Rosemary DePaolo of UNC-Wilmington as a representative of the University of North Carolina General Administration
- Mark Twisdale for the State Employees' Credit Union
- Sylvester Hackney for Duke University

In addition, David Vanderweide presented research on retirement benefit practices at SAS Institute, IBM, Wal-Mart, and small businesses.

Discussion of Employer Presentations

Chairman Clark recapped the presentations:

- Many presenters spoke about phased retirement and thought it was a good idea. The University system has the broadest and clearest policy on phased retirement. Many speakers spoke in favor of a phased retirement policy. There seemed to be consensus from the presenters that the present plan was of high value and offered a competitive edge.
- Local Governmental Employees Retirement System (LGERS) has a 30-day waiting period before returning to work while the Teachers' and State Employee Retirement System has a six month period. Could they be reconciled? Could the waiting period for Return to Work for TSERS be reduced?
- Michael Williamson said that the Legislature would need to make any changes to the waiting period and that the Federal government could disqualify the tax exempt status of a pension plan if it was found to be inconsistent with federal laws.
- There was support for making larger contributions to supplemental plans. Automatic enrollment was mentioned. A financial literacy initiative could increase the number and amount of voluntary contributions to the supplemental retirement plans.
- The issue was raised to consider granting ability to transfer a member's 401K account to the defined benefit plan to buy more service or bigger benefits.
- The University would like to broaden the number of employees who can participate in Optional Retirement Plan (ORP).
- The question was asked if an ORP type plan could be extended to other agencies or specific groups in state government.
- Everyone agreed that benefits can serve as an incentive for employees.
- Some limited interest was expressed in designing a system that would appeal to younger employees. School systems and universities, in particular, mentioned this.

- Few wanted to have a greater pension incentive to young employees whether choice of plans or adding to the benefit when they leave. This did not seem to be an issue.
- Specific recommendations for a new plan were not offered but several presenters requested that the State waiting period for return to work be shortened.

Mr. Coletti noted that several comments were made about the importance of salary versus the importance of retirement in rewarding performance. Public employers said that there may be political concerns about giving individual managers the power to adjust pay to reward performance. Private employers appear to be focused on compensation for performance and place the responsibility for retirement on the employee.

Rep. Ross suggested having a different benefit philosophy based on the makeup of the work force. SAS has highly educated and technically oriented people. The state has far fewer college-educated workers. Teachers are mostly female. We may need a different system and incentives for various work groups.

Building on Rep. Ross' comment, Mr. Coletti noted that UNC and Duke offer the option to purchase into a different retirement plan for their faculty, which is a unique workforce.

Ms. Bethel requested hearing from the retirees and government employee groups. There are two options: (1) a public forum or (2) an opportunity for employee and retiree organizations to present to the Commission. Rep. Ross suggested that they combine these groups in one meeting and include the Legislators, with the organizations, general public and Legislators time defined with specific time blocks.

Review of Background Reading for Meeting 5

David Vanderweide remarked on the readings for meeting five to be held on May 10, 2010 at 9:00 am.

There being no further business the meeting adjourned at 11:50 a.m.

Chairman

Date

Director, Retirement Systems

Date