

Future of Retirement Study Commission  
March 22, 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 am.

Members Present

Commission members present were Charles Abernathy, Mary Bethel, Randy Byrd, Joseph Coletti, Monda Griggs, Darleen Johns, Charles Johnson, Shirley Morrison, Aaron Noble, Deborah Ross, Richard Stevens.

Members Absent

Commission member Charles Perusse was absent. Senator Richard Stevens departed the meeting at 10:15.

DST Staff Present

Members present from the Department of State Treasurer were Michael Williamson, David Vanderweide, Debra Bryan, Derwin Dubose, Meredith Rouse-Davis, David Starling, Ellen Richardson and Pat Stussie.

Approval of Minutes

It was moved by Randy Byrd and seconded by Charles Johnson and carried that the minutes of the meeting of the Commission held on February 22, 2010 be approved.

Review and Discussion of Readings

Dr. Clark gave an overview of the readings on the different types of risk: inflation, investment and longevity risks and the systematic and non-systematic nature of those risks. Mr. Coletti reminded the members that the appropriations come from the taxpayer who then ultimately bears any risk faced by the employer. Senator Stevens stated that there is a perception that the state is not contributing to the retirement plan. He asked if we could provide a snapshot of unfunded liabilities and funding ratios by type of plan for different states. The commission was reminded that North Carolina has a 5 year smoothing formula for any decreases that are experienced in the investments.

Discussion followed on the *decision grid* and the examples of how the employer and employee can separately choose to take or not take systematic investment risk in either a defined benefit or a defined contribution plan.

David Vanderweide discussed how a plan can eliminate almost all longevity risk by pooling the non-systematic component. Discussion followed on this concept. Rep. Ross suggested that the State needs training for the employees to understand the risk involved. She further suggested employees be given scenarios to advance the explanation of risk in their portfolios.

Chairman Clark requested a vote on pooling non-systematic risk and who should bear the systematic risk. Discussion followed and it was determined that this decision will be reached at a later meeting. Chairman Clark opened discussion on the topic of who should bear the investment risk. Ms. Johns, Mr. Johnson, and Rep. Ross spoke in favor of the employee having a secure benefit and therefore taking little or no investment risk. Mr. Coletti spoke against employers, and therefore taxpayers, taking any investment risk. Mr. Abernathy spoke against local employers taking any investment risk.

Chairman Clark asked the Commission members for a vote on allowing members in the supplemental plan to annuitize their 401K plans, similar to the Law Enforcement Officers (LEO) plan. Discussion followed on the risk involved to the State. David Vanderweide indicated that the risk is minimal if priced correctly because the systematic risk is a small portion of the total longevity risk.

Chairman Clark called for a vote. Mr. Coletti voted against the concept of offering to annuitize supplemental plans. All other members present voted in favor of offering to annuitize the supplemental plans. Mr. Coletti was asked to explain his vote and stated that he voted against the proposal because the government would be unfairly competing with the private sector. The chair indicated that the commission would revisit the level of benefit, contributions and risks in order to make a recommendation at the completion of the commission meetings.

David Vanderweide remarked on the readings for meeting four to be held on April 19, 2010 at 9:00 am. He explained the role of retirement benefits in attracting and retaining employees. He also informed the commission that employers will be making presentations at the next meeting. He indicated that the Office of State Personnel, Department of Public Instruction, NC Community Colleges, University of North Carolina System, NC League of Municipalities, NC Association of County Commissioners will be presenting. It was requested to add SAS to the list of employers.

Chairman Clark suggested that the next Commission meetings will be held on April 19<sup>th</sup>, May 10<sup>th</sup>, June 14<sup>th</sup> and July 12<sup>th</sup>. No objections were raised.

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

Action Items

- Post Pew Report on state's estimate of funding ratios to be posted to the web site
- Post history of employer contribution to TSERS
- Post information on type of plan and funded status for each state
- Post information on why some states have switched to other types of plans

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Chairman

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Date

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Director, Retirement Systems

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Date