

Future of Retirement Study Commission
May 10, 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, Charles Johnson, Shirley Morrison, Representative Deborah Ross, and Senator Richard Stevens. Darleen Johns attended by phone.

Members Absent

Commission members Aaron Noble and Charles Perusse were absent.

DST Staff Present

Members present from the Department of State Treasurer were Michael Williamson, David Vanderweide, Christopher Jones, Debra Bryan, David Starling, Ellen Richardson, and Pat Stussie.

Approval of Minutes

It was moved by Joseph Coletti and seconded by Shirley Morrison and carried that the minutes of the meeting of the Commission held on April 19, 2010 be approved.

Review of Readings

Discussion followed on a variety of topics, particularly focused on the role of employees in planning for their own retirement. The Chair called for a recess at 10:20. The commission reconvened at 10:35 am.

The Chair outlined six plan structures from which the Commission could choose. They are:

1. Defined Benefit (DB) Plan: We could keep the current plan, but perhaps modify it to achieve other objectives.

2. Choice between DB and Defined Contribution (DC). The university faculty currently have this choice, but we could extend it to other employees. This raises several questions such as how many times employees would be given a choice during their careers and what we would charge them to buy back into the other plan.
3. Hybrid plan. This would be a combination of a DB and a DC plan, as in Oregon. We would reduce the value of the DB plan and add a comparable amount of value to the DC plan. The DB plan would be mandatory.
4. Scrap DB plan and replace it with a DC plan. The DC plan is usually mandatory at most public sector employers that follow this approach.
5. Cash Balance plan, as in Nebraska. This is a DB plan by law but looks like a DC plan. These have spread rapidly among large private sector employers. The employer bears the investment risk, but it is well defined and could be eliminated through the proper investments. It treats the short-term worker better than in a traditional DB plan.
6. Opt-out. Employees could opt out of the pension plan altogether and take the employer contribution in cash.

Discussion followed on the manner in which the commission would like to record their recommendations on the retirement structures above. In order to provide additional time to consider the choices, Chairman Clark suggested that the ballots be e-mailed. The commission agreed with the e-mail process. They asked that the choices include the investment and job mobility risk in each option and an explanation of the cost to the state or local government and the employee. The results will be returned prior to the June 19th meeting.

Review of Background Reading for Meeting 6 and Open Hearing

David Vanderweide explained the readings for meeting six to be held on June 14, 2010 at 9:00 am.

Discussion followed on the timing of the open hearing date. It was determined that the June commission meeting will be open for comments from the public for two hours, following a one hour meeting of the commission.

There being no further business the motion was made by Charles Johnson and seconded by Charles Abernathy and passed unanimously that the meeting adjourn. The meeting adjourned at 11:50 am.

Action Items

Staff to provide commission members with e-mail ballots for ranking retirement structures.

Chairman

Date

Director, Retirement Systems

Date