North Carolina
Future of Retirement
Study Commission

Summary of Decisions Made and Being Considered as of September 1, 2010

We remind you that the Commission is only making recommendations. The benefits are specified in statute and statutes can only be changed through the legislative process.

Recommendations Made in August 23 Meeting

- Provide new hires a choice between the current retirement system (TSERS or LGERS) and a defined contribution plan, subject to the following parameters:
    - The state and local governments should provide a high level of financial education to help employees make the choice.
    - The current defined benefit plan will be the default if someone does not make a choice.
    - The new benefits should have the same cost to employers as the current benefits. The choice itself is expected to increase the overall cost of the system, so the employee contribution for new hires would be higher than 6% of pay.
    - Members should have an initial choice at the time of hire and at least one additional opportunity to switch to the other system at a later point in their careers.
    - The additional choice should also be cost neutral to the employers, so any transfer between systems should be done on an actuarially equivalent basis.
- For new hires, change the interest rate on refunds of employee contributions from a fixed 4% to a market rate of interest (for example LIBOR or Treasury Bill rates).
- For new hires, provide interest on employee contributions even if the employee is not vested (has less than 5 years of service) when she withdraws her contributions.

Recommendations to Be Considered in September 20 Meeting

- For new hires, set a minimum age for unreduced retirement benefits. Currently, employees can retire with unreduced benefits at any age if they have 30 years of service. The Commission will consider recommending that employees also be at least a certain age in order to retire with unreduced benefits after 30 years.
- Extend the recommendations above (including choice, refund interest, and, if applicable, minimum unreduced retirement age) to some of the current members. Note that it may be impossible to apply any changes that reduce benefits to vested employees due to contract law.
- Modify the power of the LGERS Board of Trustees to grant Cost of Living Adjustments (COLAs). This issue is covered in more detail in one of the readings.

Recommendations Rejected by the Commission

It is impossible to list every idea mentioned in the almost 30 hours that the Commission has met, but here is a partial list of the items that the Commission rejected by a vote or polling of interest:

- Combination (hybrid) plan that blends a smaller defined benefit plan with a defined contribution plan.

- Defined contribution plan only.
- Cash balance plan.
- Indexing average final compensation between leaving employment and commencing benefits.
- Multiplier that increases with service before 30 years.
- Higher multiplier for service after 30 years.
- Automatic cost-of-living adjustments (COLAs).
- Reduced multiplier.
- Varying employee contributions or benefits with investment returns.
- Lengthening the averaging period for compensation or limiting the increase in compensation that will be used in the calculation of benefits.
- Provisions to make it easier for retirees to return to work and keep receiving benefits.
- Changing the number of years required to vest.