



MEMORANDUM

TO: Local Governmental Employees' Retirement System Board of Trustees

FROM: Patrick Kinlaw, Director of Policy, Planning, and Compliance

DATE: April 25, 2024

SUBJECT: New Local Units Applying for Participation in the Local Governmental Employees' Retirement System and their Elections to Pick Up Employee Contributions

Pursuant to N.C.G.S. § 128-23(c), this memorandum details the requests from two (2) local units that desire to join the Local Governmental Employees' Retirement System (LGERS). The following units have elected participation for general employees in LGERS with an effective date of July 1, 2024. Employer participation requires approval by the Board of Trustees.

Unit	Net Employer Contribution Rate upon Entrance	Number of Eligible Employees	Pick-Up Date
Eastover Sanitary District (ESD)	13.60%	5	July 1, 2024
Swain County Tourism Development Authority (SCTDA)	13.60%	5	July 1, 2024

There are no units to be added to LGERS only with respect to law enforcement officers pursuant to N.C.G.S. § 128-23(g). (Had there been any, this action would not require approval by the Board of Trustees.)

Note regarding surety requirement: Under G.S. 128-23.1(i), any employer wishing to join LGERS as an employer on or after September 1, 2023, other than a taxing authority, must obtain a surety to cover an estimate of the withdrawal liability should the employer later cease participation. The Board of Trustees has adopted administrative rules under 20 NCAC 02C .0210-.0211 defining this requirement. Based on application information, SCTDA is not a taxing authority. As of April 16, 2024, SCTDA has not yet provided documentation of the surety, but staff has indicated their intent to seek approval at a meeting of their governing board on April 24, 2024. ESD is a taxing authority, and therefore not subject to the surety requirement.

Other than the surety requirement as it pertains to SCTDA, Retirement Systems Division (RSD) staff has confirmed that both entities meet the basic legal and financial requirements and are therefore eligible to be approved by the Board of Trustees for participation in LGERS. Any approval of SCTDA would need to be contingent on SCTDA providing documentation of the required surety before July 1, 2024.

Eastover Sanitary District (ESD)

ESD was established in November 1995 by the Cumberland County Joint Planning Board. ESD has 5 eligible general employees and has estimated the total annual salaries for these 5 positions to be \$224,723. The employer contribution rate would be 13.60% of compensation. Based on information submitted with their application, ESD is a Taxing Authority and is not required to obtain a surety under G.S. 128-23.1(i).

Financial Note:

According to Page 5 of the Cumberland County Annual Comprehensive Financial Report (ACFR), ESD is considered to be fiscally dependent upon Cumberland County such that excluding ESD would cause the County's statements to be incomplete. As of June 30, 2023, ESD's total current assets were \$4,026,336, primarily cash and cash equivalents; noncurrent and capital assets were \$18,170,990; liabilities were \$519,871; long-term debt totaled \$10,374,445; and the total net position was \$11,303,010. For the year, the change in net position was an increase of \$297,193 and net cash from operating activities was \$1,280,995.

Staff Recommendation:

Based on the submitted financial data, ESD is financially fit to participate in and fulfill the obligations under Chapter 128 for participation in LGERS.

Swain County Tourism Development Authority (SCTDA)

The Swain County Board of Commissioners was originally authorized under S.L. 2007-23 as amended by 2023-144 to adopt a resolution to establish the SCTDA as a public authority under the Local Government Budget and Fiscal Control Act. The SCTDA has 5 eligible general employees; however, at the time of applying for enrollment there were 6 eligible employees. The SCTDA estimates total annual salaries for these 5 positions to be \$234,125. The employer contribution rate would be 13.60% of compensation. The SCTDA is not a taxing authority, and is therefore required to obtain a surety under G.S. 128-23.1(i) as a condition of participating in LGERS. The consulting actuary for LGERS has calculated the required surety amount (i.e., the estimated withdrawal liability after ten years) to be \$111,055. As of April 16, 2024, the SCTDA has not yet obtained surety in this amount, but staff has indicated their intent to seek approval by their governing board on April 24, 2024. The LGERS Board of Trustees may approve the SCTDA's participation contingent upon RSD receiving documentation before July 1, 2024 that the SCTDA has obtained the required surety.

Financial Note:

The SCTDA is reported as a component unit of Swain County. During the fiscal year ended June 30, 2023, the SCTDA had revenues of \$1,954,119 and expenses of \$2,147,346, resulting in a \$193,227 decrease in net position. As of June 30, 2023, the SCTDA had cash and cash equivalents of \$323,709; receivables of \$149,204; net capital assets of \$692,142; and no liabilities. As of June 30, 2023, the General Fund of the SCTDA had an unassigned fund balance of \$323,709, a decline of \$582,675 for the year ended June 30, 2023, and the TDA's expenditures exceeded the amount budgeted for that year by \$236,789.

Staff Recommendation:

As of April 16, 2024, the SCTDA has not yet obtained the surety required for their participation in LGERS. Any approval by the LGERS Board would need to be contingent on the SCTDA providing documentation of such surety to RSD prior to July 1, 2024. If the SCTDA were to obtain the required surety prior to participating, then based on the submitted financial data, Department of State Treasurer staff has concluded that the SCTDA's financial reports indicate they would be able to make the required contributions for LGERS participation.