



## North Carolina Future of Retirement Study Commission

*Final Report to Boards of Trustees of the Teachers'  
and State Employees' Retirement System  
and the Local Governmental Employees' Retirement System*

November 16, 2010

North Carolina  
**Future of Retirement**  
Study Commission

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## Executive Summary

The N.C. Future of Retirement Study Commission met throughout 2010 to consider recommendations for changes to the retirement systems covering state and local government employees in North Carolina. After detailed discussion of the different aspects of pension design and consideration of a long list of alternatives, the Commission recommends the following changes:

- Choice between a defined benefit (DB) and defined contribution (DC) plan for all current and future employees.
- A minimum unreduced retirement age of 55 for all future hires other than law-enforcement officers.
- Giving more flexibility to the Local Governmental Employees' Retirement System Board of Trustees to grant Cost of Living Adjustments (COLAs).
- Changing the way interest is calculated on employee contributions.
- Automatic enrollment in a supplemental DC plan.
- Study of consolidation of administration of 403(b) plans offered by local school systems.

## About the Commission

### Creation

The Future of Retirement Study Commission was created on October 15, 2009 by the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System. The Boards created the Commission because they:

- Felt that it was time to review whether or not North Carolina's retirement benefits still met the needs of public sector employees and employers. The current plan design has remained largely unchanged since 1963, despite significant changes to the State's population and economy.
- Wanted to proactively respond to the growing national discussion about pensions. In the past year, there have been numerous articles in both national and local media about public pensions and at least 13 other states created study groups.
- Wanted to take a comprehensive, data-driven approach to recommending a plan design that will adequately prepare new employees for retirement.
- Felt that any plan re-design ought to include input from all stakeholders, including employees, employers, and taxpayers.

### Charter

The joint Boards of the North Carolina Retirement Systems direct the Commission to recommend the retirement benefits that should be provided to future hires of state and local government in North Carolina. The Commission's recommendation should:

- Provide adequate retirement income at a reasonable retirement age after a reasonable period of employment.
- Provide a proper system for managing risk, including eliminating risk through pooling wherever possible.
- Encourage employee behavior that best meets the workforce needs of the state and local governments.
- Give control over retirement planning decisions to those best able to make those decisions.
- Fund benefits in a sound manner through an appropriate mix of employee and employer contributions.
- Comply with applicable laws, keep administration costs low, and be easy for stakeholders to understand.
- Determine whether or not it is possible and appropriate to extend this benefit design to any of the existing employees.

## Context

The Commission met during a dynamic period for public pensions. Some of the most prominent developments include:

### **Increasing employer contributions to the retirement systems.**

- The Annual Required Contribution to the Teachers' and State Employees' Retirement System (TSERS) has increased from 3.57% in fiscal year 2009-2010 to 6.71% in 2010-2011 and is projected to peak at around 12% by 2015. Fiscal year 2010-2011 is also the first year in the 69-year history of the system that the General Assembly did not appropriate the full contribution calculated by the actuary.
- The base contribution to the Local Governmental Employees' Retirement System (LGERS) has increased from 4.80% in fiscal year 2009-2010 to 6.35% in 2010-2011 and is projected to peak at around 9% by 2015.
- The only significant cause of these increases is investment losses suffered during 2008. Unlike some other states, North Carolina has historically been responsible in funding its systems and cautious in granting benefit enhancements.

Because the losses have already been suffered and case law would suggest that benefits are protected for all vested employees, few recommendations that the Commission makes will change the employer contribution picture. However, the fact of increasing contributions still brings increased attention to retirement benefits.

### **Economic downturn**

- By many measures, the recession of 2007-2009 and the resulting shortfall in tax revenues is the worst since the Great Depression. Some of this gap has temporarily been plugged by federal assistance and a sales tax increase, but both of these are projected to expire by June 30, 2011, leaving a gap equal to about 15% of the total state budget.

- The recession has also produced 10% unemployment, temporarily making it easier to hire high-quality employees.

### **Changing economics and demographics**

- From the 1960s through the 1990s, the retirement systems benefitted from several economic and demographic factors that allowed for ample Cost of Living Adjustments (COLAs) and benefit enhancements. These included high interest rates (in the early 1980s Treasury Bonds yielded 14%), a small retiree population (making each 1% COLA inexpensive), use of book value accounting, and being underfunded (so annual re-amortization of the unfunded liability reduced contributions). All of these factors disappeared in the 2000s, resulting in lower COLAs and enhancements.
- It is important to note that, contrary to popular belief, the retirement of the baby boomers and increasing lifespans do not create significant challenges to paying the currently promised benefits. Both factors are already reflected in the assumptions used in the annual actuarial valuation. Past funding in line with the calculations in those valuations has left the systems in good shape to pay the higher anticipated benefits.
- Also contrary to popular belief, state and local government employees are not working shorter careers. The fact is that the career employee has always been a minority. While tenure has decreased in the private sector, it has actually increased in the public sector and recent actuarial experience studies for the NC systems show lower turnover than in the 1970s.

### **National pension discussion**

- During 2009 and 2010, the national media has focused a lot of attention on public pensions.
- Many states have established study commissions or seriously considered significant changes to pensions in the state legislature. Changes have included reductions in automatic COLAs, increases in employee contributions, increases in retirement ages, increases in the years required to vest, increases in the compensation averaging period, and restrictions on rehiring retirees. A few states have switched to hybrid plans, but most have retained defined benefit plans, while modifying their features. Many of these changes only apply to future hires.
- Many public pension funds are in worse shape than NC's because of repeated failure to contribute the Annual Required Contribution and significant benefit enhancements given in better economic times.

## Commission Members

The Future of Retirement Study Commission is made up of 13 members from across the State that bring a broad range of experiences related to retirement. More specifically, members are:

**Robert Clark**, Chair, is a professor in the NC State University College of Management, where he specializes in labor economics, the economics of aging, and pension and retirement policies. Clark has also served as director of research with the TIAA-CREF Institute, senior fellow at the Center for the Study of Aging and Human Development, a fellow of the National Academy of Social Insurance, fellow of the Employment Benefit Research Institute, and a member of the Pension Research Council.

**Charles Abernathy** is the county manager and director of economic development for McDowell County. A 22-year veteran of local government management, Abernathy also teaches public administration at Appalachian State University.

**Mary Bethel** co-directs advocacy efforts for AARP North Carolina. Bethel spent 29 years working for the North Carolina Division of Aging and Adult Services in various capacities and has a graduate degree in educational gerontology.

**Randy Byrd** is a criminal investigations supervisor for the Cary Police Department. A 17-year veteran of the department from Rocky Mount, Byrd serves as division president for the North Carolina Police Benevolent Association and as president of the organization's Cary chapter.

**Joseph Coletti** is Director of Health and Fiscal Policy Studies at the John Locke Foundation. Coletti researches the state's budget cycle, the earned-income tax credit, business incentives, state and local government finance, and government employee compensation.

**Monda Griggs** is a 27-year veteran of Rowan-Salisbury Schools, currently serving as a curriculum specialist for high schools. Griggs has served on the board of the North Carolina Association of Educators and worked to recruit new teachers through the N.C. Teaching Fellows and Future Teachers of America.

**Darleen Johns** is the retired founder and CEO of Alphanumeric Systems, a Raleigh-based provider of high-tech business solutions. Johns has been inducted into the North Carolina Business Hall of Fame and has served on numerous state boards and commissions, including the North Carolina Economic Development Board.

**Charles Johnson** is a captain at Central Prison in Raleigh and President of the State Employees Association of North Carolina. A 17-year veteran of state government, Johnson has also worked at the North Carolina Library for the Blind and the Polk Youth Institution.

**Shirley Morrison** is the chief human resources officer for Guilford County Schools. She has also served as a teacher, counselor, and principal, as well as working in the private sector. Morrison has worked to bring innovative approaches to hiring school personnel both in Guilford County and throughout the State.

**Aaron Noble** has served as human resources director for the City of Burlington for the past 13 years. He has a master's degree in public administration from UNC-Chapel Hill's School of Government and a doctorate in education from NC State University. He has also served on the Board of Directors of the North Carolina League of Municipalities.

**Charles Perusse** is the state budget director and a member of Governor Beverly Perdue's administration. After earning a master's of public administration from UNC-Chapel Hill, he worked eight years for the legislature's Fiscal Research Division.

**Representative Deborah Ross** is a Democratic member of the North Carolina General Assembly, representing Wake County. Ross was recommended by several organizations including the North Carolina Association of Educators, the North Carolina Retired School Personnel, and the North Carolina Retired Governmental Employees' Association.

**Senator Richard Stevens** is a Republican member of the North Carolina General Assembly, representing Wake County. A member of the Pensions and Retirement Committee, Stevens served as manager and assistant manager of Wake County for 16 years.

*While Representative Ross and Senator Stevens actively participated in the meetings of the Commission, they did not vote on the adoption of the final report since recommendations from this Commission and ultimately the Board of Trustees of the Retirement Systems as well as from the State Treasurer will be a matter for legislative action.*



## Meeting Dates and Topics

Three hour meetings were held on the following dates in the Dawson Conference Room of the Albemarle Building in Raleigh. The primary topics are listed after each date.

### January 10, 2010

- Introduction of Commission
- Background Information on Retirement System and Workforce
- Meeting Framework and Procedures

### February 22, 2010

- Replacement Rates
- Need to Maintain Purchasing Power in Retirement
- Career Length
- Personal Budget Exercise

### March 22, 2010

- Investment Risk
- Longevity Risk
- Inflation Risk
- Other Risks

### April 19, 2010

- Attraction and Retention of Employees
- Other Incentives Created by Retirement Plan Design
- Presentations from Employers

### May 10, 2010

- Responsibility of Employee and Employer in Planning for Retirement
- Possible Plan Structures, including: Defined Benefit, Choice Between Defined Benefit and Defined Contribution, Combination (Hybrid) Plan, Defined Contribution, Cash Balance, Opt-Out

### June 14, 2010

- Advantage of Labeling Contributions as Employee Contributions or Employer Contributions
- Costs of Retirement Income Benefits for Other Public and Private Sector Employers

- Presentations from Employee Groups
- Discussion of Retirement Plan Types

#### **July 12, 2010**

- Options within a Defined Benefit Design
- Defined Benefit / Defined Contribution Choice
- Defined Benefit / Defined Contribution Combination (Hybrid)

#### **August 23, 2010**

- Defined Benefit /Defined Contribution Choice
- Defined Benefit/Defined Contribution Combination Plan
- Limited Set of Defined Benefit Alternatives
- Return of Contributions
- Interest for Non-Vested Employees
- Anti-Spiking Changes
- Changes to Retirement Age

#### **September 20, 2010**

- Power of LGERS Board to Grant COLAs
- Minimum Retirement Age
- Details of Defined Contribution Choice
- Extending Recommendations to Current Employees

#### **October 18, 2010**

- Automatic Enrollment
- 403(b) Plans for Teachers
- Minimum Unreduced Retirement Age
- Return to Work
- Power of LGERS Board to Grant COLAs

#### **November 16, 2010**

- Reconsideration of Previous Motions
- Adoption of Report

## Recommendations

The Future of Retirement Study Commission recommends the following changes to current retirement benefits. These are only recommendations, as the benefits are specified in statute and statutes can only be changed through the legislative process.

### Defined Contribution Choice

The Commission recommends that all new and current employees be offered a choice between the current defined benefit (DB) systems and a defined contribution (DC) plan. This choice will be structured to be cost neutral to the State and local governments, with the following components:

- DC plan needs to be presented to newly hired employees along with considerable information so that individuals can make an informed choice between the new DC plan and TSERS/LGERS.
- Newly hired workers should be required to make a choice between the plans within 60 days. TSERS and LGERS will be the default plan if the worker fails to make an active election. All employees are required to participate in one of the retirement plans.
- Financial literacy is essential if individuals are to make appropriate retirement plan choices. The Commission recommends that the retirement system and the State Treasurer develop needed materials and programs for new state employees. The Commission recommends funding for financial literacy programs; these literacy programs should be available to current employees as well as new hires.
- The DC optional plan should have the same employer cost as TSERS and LGERS; employee contributions should be the same as in TSERS and LGERS.
- If the DC plan is chosen and the worker does not make an active choice of investments, the default investment will be some type of lifecycle or target date fund.
- The state retirement system will manage and regulate the DC option perhaps in conjunction with existing 401(k) or 457 accounts currently offered by the state. The State could develop and announce a request for proposals from financial service companies to serve as vendors in the new plan. The State could consider number of providers that will be allowed to participate in the new plan.
- The current ORP of the UNC system will remain a separate pension system; however, this plan will be expanded to include all employees of the University. Even though the ORP was established by legislation, current plan documents for the ORP are with the University.
- After employment and the initial choice of a pension, all employees will have one opportunity to switch plans. This choice should be cost neutral to the employer.
- Further study should be done to determine the appropriate basis for transferring contributions/service in one plan to the other if the member switches, although that basis should be cost-neutral to the employers.
- The providers of the DC plans should be required to offer an annuity option to retiring workers.
- Vesting in the DC plan should be the same as for TSERS and LGERS, 5 years; for the DC plan this refers to vesting in the employer contributions.

The Commission is making this recommendation because a DC plan will appeal to some workers and will likely result in higher benefits for many employees who remain in the retirement system for less than 20 years. We wanted to give employers a tool to attract and retain this segment, while not changing the design for the majority of the workforce that is served well by a DB plan.

## **Return of Contributions**

Members who are not vested when they withdraw their contributions currently do not receive interest on those contributions. The Commission recommends that these members should receive interest on withdrawn contributions. The accumulation of interest on the contributions for non-vested members should reflect current market interest rates, for example LIBOR or Treasury Bill yields. This recommendation applies to both current and future members.

Members who are vested when they withdraw their contributions currently receive 4% interest. The Commission recommends that for future hires, interest should be accumulated at market rates, for example LIBOR or Treasury Bill yields. This recommendation does not apply to current members who withdraw their contributions after vesting because contract law probably prevents changes for this group.

The Commission is making this recommendation because it did not seem fair to withhold interest on the member's own contributions and because modern computing power allows calculation of interest rates that more accurately reflect market conditions.

## **Retirement Age**

The Commission recommends that for new hires the current unreduced retirement at any age with 30 years of service be changed to age 55 with 30 years of service with all other retirement provisions remaining as they currently are. All retirement provisions for law enforcement officers, as currently defined, would also remain as they currently are.

The Commission recommends this change because it felt that there is a general movement around the country to higher retirement ages and because lifespans are much longer now than they were in 1973 when the State first adopted unreduced retirement at any age with 30 years of service. The Commission did not recommend any further increase because the average age at retirement in the NC systems is already over age 60 and because of a desire to create openings for career development for younger employees.

## **Power of LGERS Board to Grant COLAs**

The Commission recommends that the LGERS Board of Trustees have the full authority to grant any COLA up to the current 4% cap, regardless of the increase in CPI, with the authority to use only investment gains to fund these COLAs.

## **Automatic Enrollment**

The Commission recommends automatic enrollment in a supplemental plan specified by each state agency or local government employer, with employees able to opt out of future contributions at any time. The Commission also recommends that further study be done of the appropriate contribution amount, default investment, and when the opt-out period should start for local governments that have probationary periods before a new employee is eligible for benefits.

The Commission makes this recommendation because employees who work for only some of their career with the state or local government, or who retire before being eligible to collect Social Security, are likely to require additional retirement savings. Any employees who do not need additional retirement savings can easily opt out.

### **403(b) Plans for Teachers**

The Commission recommends that staff study centralizing 403(b) administration in local school systems with one or more providers across the State. This study is to be coordinated with the NC School Boards Association, the NC Association of Educators, and any other relevant organizations.

### **Financial Impact – Future Hires**

The financial impact of the changes above is expected to be small:

- DB/DC Choice for new hires will be more expensive because of the cost of anti-selection. Anti-selection arises when some young employees who expect to stay less than 20 years choose the DC plan and get a larger benefit than they would get from the DB plan. This anti-selection cost is estimated at around 0.5% of pay.
- Interest on non-vested contributions is expected to add only about 0.02% of pay to the employer contribution. The amount of refunds is small and the interest would generally only be credited for a few years.
- A minimum unreduced retirement age of 55 is expected to reduce employer contributions by an amount less than 0.5% of pay.

In total, these changes will be roughly cost-neutral, with the cost of choice being offset by the savings from the minimum retirement age.

### **Financial Impact – Current Employees**

The financial impact of the changes above is expected to be small, but might represent a slight increase for employers:

- DB/DC Choice could lead to a cost increase of up to 0.20% of pay if many younger employees who expect to stay for at least 5 but no more than 20 years decide to switch to the DC plan. This cost is estimated to be very low because other states that offered choice to current employees saw only a small percent (around 3%) of employees choose to switch. In addition, the experience in private companies offering choice is that many employees will make choices that in fact reduce costs for the employer.
- Greater flexibility for the LGERS Board in granting COLAs could increase employer contributions in that system, but we have not estimated an impact because it depends on the subsequent actions of the Board.
- Interest on non-vested contributions is expected add only about 0.02% of pay to the employer contribution.
- Auto-enrollment generally does not add direct employer costs. However, there might be some small initial administrative costs and the creation of small accounts in the supplemental plan could over time drive up the administrative fees charged to employees with larger accounts. In

addition, local governments that match their employees' contribution will face higher match costs, which they could offset with adjustments to the matching formula.

## **Other Proposals Considered and Not Recommended**

### **Cash Balance or Defined Contribution Plan**

The Commission does not recommend a mandatory cash balance or defined contribution plan because we feel that career employees and late-career hires are particularly valuable and want to attract and retain those types of workers more than younger workers who do not stick around for a whole career.

A defined benefit plan is particularly effective at attracting and retaining career employees and late-career hires. The Commission also felt that many employees would struggle to make decisions like how to invest their money, how much to save, when to retire, and how to make their account balance last the rest of their life. The vote against this recommendation was 8-1.

### **Defined Benefit/Defined Contribution Combination (Hybrid) Plan**

The Commission considered a DB/DC combination plan where the DB formula would be the same as in the current systems, but with a lower multiplier like 1%. The DB system we considered would have no employee contributions; instead, mandatory employee contributions would go to a DC plan. The Commission did not recommend this design because we felt the DB/DC choice recommendation already addressed most of the concerns that are addressed by a combination plan. The vote against this recommendation was unanimous with one abstention.

### **Indexing Average Compensation after Separation**

The Commission considered a variety of changes to the defined benefit formula including indexing average pay between separation and retirement. The Commission did not recommend this because we did not want to reward young employees who do not stay for a whole career. The vote against this recommendation was unanimous.

### **Anti-Spiking**

The Commission does not propose any changes to the final average salary calculations and does not propose any anti-spiking limitations. North Carolina's averaging period of four years was already longer than the average for public plans (three years) and the current design rewards someone who moves up quickly during their career, which was the type of employee we wished to reward. Several Commission members feel that while a few significant cases of spiking do make the news, there are in fact few cases of significant spiking in the DB systems. This recommendation failed to get enough interest to warrant further discussion.

### **Automatic COLAs**

The Commission feels that while retirees do need to plan for increases in the cost of goods and services during their retirement years, employers would be unable to bear the risk and cost of automatic COLAs. The Commission also believed that employees would be unwilling to accept a lower initial benefit at the time of retirement in order to offset the cost of an automatic COLA. This recommendation failed to get enough interest to warrant further discussion.

### **Vesting Period**

The Commission did not recommend an increase in the vesting period from 5 years to encourage people to stick around. We felt that someone who stays for 5 years has contributed to the state or local



government and should be rewarded. There is also concern that these people would be completely unprepared for retirement without some future benefit for their service. This recommendation failed to get enough interest to warrant further discussion.

## **Definition of Hazardous Duty Employees**

The Commission discussed recommending a study to see if there are other occupations, particularly those with direct contact with prison inmates, that may merit the same treatment as law enforcement officers for retirement age provisions. This proposal failed by a close vote. The vote against this recommendation was 6-5.

## **Return to Work**

The Commission considered changes to the rules allowing retirees to return to work with the State or local government, while continuing to collect their pension check. The Commission considered both general proposals to loosen the rules, as well as two specific proposals:

- Changing the required break in service for members of TSERS to one month longer than the normal annual break for the employee, so a 10 month employee would require a three month break, an 11 month employee would require a two month break, and a 12 month employee would require a one month break. The Commission was concerned about the cost to employers of loosening the rules. The vote against this recommendation was 5-5, so the motion failed.
- Changing the multiplier to 1.81% for 1st 30 years, and 2.0% for service after 30 years. While this might encourage a few valuable employees to stay after 30 years, the Commission felt that this was not a significant incentive. The vote against this recommendation was unanimous.

The Commission also felt that it is important to create opportunities for younger employees to move up. For these reasons, the Commission did not recommend any changes to return-to-work rules.

## **Investment Risk**

The Commission considered several ways to change how investment risk was handled. We discussed designs that would shift investment risk to the employee through a defined contribution plan or a defined benefit plan with either a variable employee contribution and fixed employer contribution or a benefit formula explicitly tied to investment returns.

We also discussed designs that would share investment risk through either a combination plan or a defined benefit plan with employee and employer contributions that were both variable. The Commission felt that the employee was not as able to bear this risk as the employer was and therefore did not recommend any of these changes. This recommendation failed to get enough interest to warrant further discussion.

## **Change in Mix of Employee and Employer Contributions**

From an economic perspective, a higher salary and higher employee pension contribution are mostly the same as a lower salary and lower employee pension contribution. Thus, in some respects, the mix of employee and employer contributions does not matter. However, both employee and citizen perceptions are shaped by the relative size of the contributions. The Commission is not recommending any changes to the current mix of roughly equal employee and employer contributions because we felt this creates the greatest perception of fairness. The Commission did not take a specific vote on this recommendation.

## More or Less Expensive Design

The Commission did not recommend a lower cost design because research showed that the employer cost of the current design was below the employer cost of defined benefit and defined contribution plans at other State and local governments and the federal government, and comparable to costs at private-sector employers:

	Contribution Rate	Normal Cost
<b>NC Employers</b>		
TSERS General Employees	4.9%	6.3%
LGERS General Employees	6.4% to 14%, depending on DC contribution and accrued liability	6.3% to 12%, depending on DC contribution
<b>Labor Market Competitors</b>		
State and local governments	12.2% <sup>1</sup> ; 10.0% <sup>2</sup>	8.8% <sup>3</sup>
Neighboring States (VA, GA, SC, TN)	10.5%	7%
Federal government (civilian)	16% <sup>4</sup>	16%
Large private employers (>500 EEs)	7.1%	6.9% <sup>5</sup>
Medium private employers (100-499 EEs)	4.8%	
Small private employers (<100 EEs)	3.3%	

The Commission did not recommend a higher cost design because of budget challenges at both the state and local level. The Commission did not take a specific vote on this recommendation.

<sup>1</sup> U.S. Bureau of Labor Statistics, Employer Costs for Employee Compensation, Dec 2009, <http://www.bls.gov/news.release/pdf/ecec.pdf>, these figures are Retirement and Savings divided by Wages and Salaries. Government is from table 3 and includes non-Social Security systems. Private is from table 8.

<sup>2</sup> National Association of State Retirement Administrators, Public Fund Survey, FY08, median for Social Security-eligible workers is 8.7%. This is DB-only, so we added 1.3% from BLS for DC.

<sup>3</sup> The TSERS normal cost is 6.3% of pay. The 2008 Wisconsin Legislative Council comparative study and the Public Fund Survey show that the multiplier is a little below the average of other systems in Social Security, the final averaging period is longer, and the employee contribution is higher. 7.5% is a rough estimate of the average normal cost adjusting for these differences. Then we added the 1.3% from BLS for DC.

<sup>4</sup> OPM Annual Report (<http://www.opm.gov/gpra/opmgpra/par2009/par2009.pdf>) shows 11.2% employer normal cost for DB portion of FERS. Employer contribution to DC is up to 5%, so we used 16% for total. Military benefits replace 50% after only 20 years of service, so would have a much higher value.

<sup>5</sup> Towers Watson (formerly Watson Wyatt Worldwide), Employer Commitment to Retirement Plans in the United States, 2009.

## **Changes Made in Other States**

The Commission did not make many of the changes recently made in other states because a lot of those changes have been catching up to where North Carolina has been for years. For example, Virginia recently made new employees pay the "employee contribution." In the past, the State has paid that contribution for them. This has not been the case in North Carolina, so there was nothing to change.

Other states like Colorado and Minnesota have been cutting back automatic COLAs. North Carolina has always had ad-hoc COLAs and since the asset losses in 2008, COLAs have been 0% in TSERS and virtually 0% in LGERS, so COLAs are lower without any change to the statutes required.

## Votes Taken

### June Meeting

#### Which types of retirement structures are you interested in for further study?

(If a category was specified, it was counted the same as separately listing all plans within that category. Members were instructed that there was no limit on the number of plans they could list.)

Category	Description	Number of Votes
1A	TSERS/LGERS	6
1B	Like South Dakota	6
2A	Like UNC ORP	8
2B	Like Florida	9
2C	Like Utah	8
3A	Like Oregon	9
3B	Like Georgia ERS	8
4A	Like IBM 401k	2
4B	Automated DC	3
5A	Like Nebraska	1
5B	Like Wisconsin	2
6	Opt-Out	0

### July Meeting

#### Question

Limit consideration to the following three types of designs: Defined Benefit, Defined Benefit/Defined Contribution and Defined Benefit/Defined Contribution Combination?

#### Voting Results

All members in favor, except one member.

#### Question

Which questions should be kept for further discussion?  
 (One-third of members present needed to keep item for discussion.)

#### Voting Results

Question/Topic	Decision
DB1: Change Current Multiplier	Keep
DB2: Index Average Final Compensation	Keep

DB3: Multiplier Varies with Age or Service	Keep
DB4: Multiplier Varies with Salary	No
DB5: Automatic COLA	No
DB6: COLA Tied to Inflation	No
DB7: Minimum Retirement Age	No
DB8: Minimum Retirement Age with Less than 30 Years	No
DB 9: Variable Employee Contribution	No
DB10: Variable Benefits	No
DB11: Change Vesting Requirements	Keep
DB12: Refund of Employee Contributions	No
DB13: Average Final Compensation Period	No
DB 14: Limit Salary Increase in Calculation	No
DB15: Return to Work Restrictions	No
DB16: DROP	No
DB17: Higher Multiplier after 30 Years	No
DB18: Salary Increase to Keep Employee	No

## August Meeting

### Question

Should all new employees be offered a choice between the current Defined Benefit (DB) systems and a Defined Contribution (DC) plan?

### Voting Results

All members voted in favor.

### Question

Change the multiplier to 1.7% if you serve less than 30 years and indexing benefits at 3% between separation and retirement?

### Voting Results

All members opposed.

### Question

Change the multiplier to 1.62% for 1st ten years, 1.87% for 2nd ten years, and 2.12% after twenty years?

### Voting Results

All members opposed.

**Question**

Change the multiplier to 1.81% for 1st thirty years, and 2.0% for service after thirty years?

**Voting Results**

All members opposed.

---

**Question**

Should the calculation of interest for the return of non-vested contributions reflect current market interest rates, for example LIBOR or Treasury Bill yields?

**Voting Results**

All members voted in favor.

---

**Question:**

Should non-vested employees receive interest on withdrawn contributions?

**Voting Results:**

All members voted in favor.

---

**Question**

Change the final average salary calculations or propose any anti-spiking limitations?

**Voting Results**

All members opposed.

---

## September Meeting

**Question**

Should the Board of Trustees be authorized, but not required, to give any COLA between 0% and the one-year increase in the CPI (capped at 4%), subject to the availability of investment gains?

**Voting Results**

Members voted five to four against.

---

**Question**

Should the Chair's proposed parameters for Defined Contribution Choice be recommended?

**Voting Results**

All members voted in favor.

---

**Question**

Should Defined Contribution Choice be extended to all current employees?

---

### **Voting Results**

Members voted nine to two in favor.

---

### **Question**

Should interest at market rates be paid on refunds of contributions to current members who leave before being vested?

### **Voting Results**

All members voted in favor.

## **October Meeting**

### **Question**

Should new employees be automatically enrolled in a supplemental plan specified by the state or local government employer and further study be done on the appropriate contribution amount, default investment, and when the opt-out period should start for local governments that have probationary periods before new employees are eligible for benefits?

### **Voting Results**

All members voted in favor.

---

### **Question**

Should staff study centralizing 403(b) administration with one or more providers across the State?

### **Voting Results**

All members voted in favor.

---

### **Question**

Should there be no changes to the retirement age provisions?

### **Voting Results**

Four members voted in favor and six members voted against.

---

### **Question**

Should there be a requirement of age 65 and 15 years of service for unreduced retirement, with no other threshold?

### **Voting Results**

No second.

---

### **Question**

Should the current provision of unreduced retirement for newly hired employees be changed to age 55 with 30 years of service leaving all other retirement age provisions including all provisions for law enforcement as they currently are?

**Voting Results**

Eight members voted in favor and three members voted against.

---

**Question**

Should a study be conducted to see if there are other occupations that might merit the same treatment as law enforcement officers in retirement age provisions?

**Voting Results**

Five members voted in favor and six members voted against.

---

**Question**

Should the LGERS Board of Trustees have the full authority to grant any COLA up to the current 4% cap, regardless of CPI and use all available sources to fund it, including gains and increases in employees and/or employer contributions?

**Voting Results**

10 members voted in favor and one member voted against.

---

**Question**

Should the required break in service for members of TSERS be changed to one month longer than the normal annual break for the employee, so a 10 month employee would require a three month break, an 11 month employee would require a two month break, and a 12 month employee would require a one month break?

**Voting Results**

Five members voted in favor and five members voted against, so the motion failed.

---

**Question**

Should the defined contribution plan be the default under the choice arrangement recommended in a previous meeting?

**Voting Results**

No second.

---



## **November Meeting**

### **Question**

Should we reconsider the vote from October Meeting on the power of the LGERS Board to grant COLAs?

### **Voting Results**

Seven members voted in favor and two members voted against.

---

### **Question**

Should we adopt new language under power of Lgers board to adopt COLAs limiting funding authority to only investment gains?

### **Voting Results**

Eight members voted in favor and one abstention.

---

### **Question**

Should we approve the report?

Nine members voted in favor, none opposed.

## List of Readings and Speakers

### Readings

The Retirement Systems Division of the Department of State Treasurer will capture and preserve an electronic archive of all materials provided to the Commission. This archive will be available upon request if the Commission website is ever removed.

#### Meeting 1

- State Employee Statistics: Distribution of State Employees by Position Type and Employer
- Local Employee Statistics: Distribution of Local Employees by Position Type and Employer
- Proposed Framework for Study Commission
- Proposed Meeting Procedures

#### Optional Readings

- 2009 Compensation and Benefits Report  
<<http://www.osp.state.nc.us/CompWebSite/2009%20Comp%20&%20Benefits%20Report.pdf>>
- Employee Statistics from OSP <<http://www.osp.state.nc.us/data/stats/start.htm>>
- Public Schools Staff Statistics <<http://www.ncpublicschools.org/fbs/resources/data/>>
- Community College Staff Statistics  
<[http://www.nccommunitycolleges.edu/Statistical\\_Reports/collegeYear2008-2009/annual/ann0809.htm](http://www.nccommunitycolleges.edu/Statistical_Reports/collegeYear2008-2009/annual/ann0809.htm)>
- University System Institutional Research Offices <[http://ire.uncg.edu/irlinks.asp#other\\_UNC](http://ire.uncg.edu/irlinks.asp#other_UNC)>
- Counties Salary Report <<http://www.sog.unc.edu/pubs/electronicversions/csalindex.htm>>
- Local Salary Budgets

#### Meeting 2

- Executive Summary of Benefit Adequacy
- Aon Replacement Ratio Study <<http://www.aon.com/about-aon/intellectual-capital/attachments/human-capital-consulting/RRStudy070308.pdf>>
- Social Security Calculation: Your Retirement Benefit: How It Is Figured  
<<http://www.socialsecurity.gov/pubs/10070.pdf>>
- Replacement Tables
- Executive Summary of Career Length
- Recent Trend Towards Later Retirement  
<[http://crr.bc.edu/briefs/the\\_recent\\_trend\\_towards\\_later\\_retirement\\_3.html](http://crr.bc.edu/briefs/the_recent_trend_towards_later_retirement_3.html)>

- Can the Bottom Third Work Longer?  
<[http://crr.bc.edu/briefs/can\\_the\\_bottom\\_third\\_work\\_longer\\_\\_2.html](http://crr.bc.edu/briefs/can_the_bottom_third_work_longer__2.html)>
- Time out of the Workforce for Women: Off-Ramps and On-Ramps: Keeping Women on the Road to Success <<http://www.worklifepolicy.org/documents/news-pr10.pdf>>

### Meeting 3

- Investment Risk Executive Summary
- Longevity Risk Executive Summary
- Inflation Risk Executive Summary
- Society of Actuaries Post-Retirement Risk Guide <<http://www.soa.org/files/pdf/post-retirement-charts.pdf>>

#### Optional Readings:

- New York Times Article on Annuities: The Unloved Annuity Gets a Hug from Obama  
<<http://www.nytimes.com/2010/01/30/your-money/annuities/30money.html>>
- What happens when you do not pool longevity risk: Save Larry  
<<http://www.savelarry.org/news.htm>>
- Society of Actuaries Article on Challenges to Annuitization: Managing Longevity Risk in U.S. Retirement Plans Through Mandatory Annuitization <[http://www.soa.org/library/journals/north-american-actuarial-journal/2006/july/naaj0603\\_5.pdf](http://www.soa.org/library/journals/north-american-actuarial-journal/2006/july/naaj0603_5.pdf)>
- Table of Other Risks
- Interview with Massachusetts Commission Member: Inside the Special Commission on the Massachusetts Public Retirement Systems  
<[http://www.slge.org/index.asp?Type=B\\_BASIC&SEC=%7b51D74025-9A07-4FB2-8248-9FA6C6DF782E%7d&DE=%7b6A655114-C263-4E6E-BC47-04BACF937631%7d](http://www.slge.org/index.asp?Type=B_BASIC&SEC=%7b51D74025-9A07-4FB2-8248-9FA6C6DF782E%7d&DE=%7b6A655114-C263-4E6E-BC47-04BACF937631%7d)>

### Meeting 4

- The Effect of Pension Plans on Job Attraction and Employee Retention

#### Optional Readings:

- Rewarding the Appropriate Behaviors
- Future Compensation of the State and Local Workforce  
<[http://www.slge.org/index.asp?Type=B\\_BASIC&SEC=%7B22748FDE-C3B8-4E10-83D0-959386E5C1A4%7D&DE=%7B9F6D3C2D-7357-4B0C-8523-69896BA71DAE%7D](http://www.slge.org/index.asp?Type=B_BASIC&SEC=%7B22748FDE-C3B8-4E10-83D0-959386E5C1A4%7D&DE=%7B9F6D3C2D-7357-4B0C-8523-69896BA71DAE%7D)>

### Meeting 5

- Participant Decision Making Executive Summary

### Meeting 6

- Considerations for Labeling Contributions as Employee vs. Employer
- Paying For It Executive Summary

### Meeting 7

- Areas of Potential Concern and Possible Recommendations
- Summary of DB/DC Choice and DB/DC Combination Plans in Other States

#### Optional Readings:

- Pension Changes Recently Made in Other States  
<<http://www.nasra.org/resources/SustainabilityChanges.pdf>>
- Provisions of DB Plans in Other States  
<[http://www.legis.state.wi.us/lc/publications/crs/2008\\_retirement.pdf](http://www.legis.state.wi.us/lc/publications/crs/2008_retirement.pdf)>

### Meeting 8

- Benefit Illustration
- DB/DC Combination
- DB/DC Choice
- Recent Changes to Retirement Age
- Recent Changes that Could Reduce Compensation Spiking

### Meeting 9

- Local Governmental Employees' Retirement System COLA
- Background on Retirement Ages
- Choice - Summary of Decisions
- Additional Retirement Age Exhibit
- Key Points for DC Choice Optional Plan

### Meeting 10

- Retirement Age History
- Retirement Age History Exhibits
- Report Outline
- Auto Enrollment: Adopting Automatic Enrollment in the Public Sector: A Case Study of South Dakota's Supplemental Retirement Plan  
<[http://www.retirementmadesimpler.org/Library/RMS\\_South\\_Dakota\\_Study\\_090810\\_FINAL.pdf](http://www.retirementmadesimpler.org/Library/RMS_South_Dakota_Study_090810_FINAL.pdf)>

## Employee and Employer Group Presentations

The following representatives made presentations to the Future of Retirement Study Commission:

### Meeting 4

- 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

### Meeting 6

- Sheri Strickland for the North Carolina Association of Educators
- Pam Deardorff for the North Carolina Retired School Personnel
- Ed Regan for the North Carolina Retired Governmental Employees' Association
- Dave Anders for the Professional Fire Fighters and Paramedics of North Carolina
- Mitch Leonard for the State Employees Association of North Carolina
- Stewart Sykes for the American Public Works Association

### Meeting 9

- Paul Meyer for the NC League of Municipalities
- Rebecca Troutman for the NC Association of County Commissioners
- Ed Regan for the NC Retired Governmental Employees Association
- Stewart Sykes for the American Public Works Association, NC Chapter
- Tom Harris for the State Employees Association of NC



## Information Requests from Members

### **What unique issues do women face in preparing for retirement?**

GAO Report on Challenges to Women in Ensuring Financial Security in Retirement

<<http://ftp.resource.org/gpo.gov/gao/reports/d08105high.pdf>>

Earnings and Women's Retirement Security

<[http://crr.bc.edu/working\\_papers/earnings\\_and\\_womens\\_retirement\\_security\\_3.html](http://crr.bc.edu/working_papers/earnings_and_womens_retirement_security_3.html)>

### **How has turnover changed over time?**

For the broader national population, see Decline of Career Employment

<[http://crr.bc.edu/briefs/the\\_decline\\_of\\_career\\_employment.html](http://crr.bc.edu/briefs/the_decline_of_career_employment.html)> and EBRI Report

<[http://www.ebri.org/publications/notes/index.cfm?fa=notesDisp&content\\_id=3801](http://www.ebri.org/publications/notes/index.cfm?fa=notesDisp&content_id=3801)> on Employee Tenure.

For NC public employees, this question can be answered by comparing our turnover experience from the late 1970s with our turnover experience from this decade, shown in this worksheet (Appendix). The worksheet shows the probability of leaving the state/local workforce from one year to the next. The fact that it has declined (particularly at younger ages) indicates that tenure is longer, in line with the EBRI report. Note that even if just 6% of the workforce leaves every year, there is only a  $(1 - 0.06)^{30} = 16\%$  or 1 in 6 chance that a new hire will reach his or her 30th anniversary.

### **What is the prevalence of DB and DC plans in public and private sectors?**

This (Appendix) document highlights the large NC private employers that provide DB plans to their current employees. This report

<<http://www.ncsl.org/Portals/1/Documents/employ/StateGovtDCPlansSept2009.pdf>>, from the National Conference of State Legislatures, provides some information on DC plans in the public sector.

### **How has the ad-hoc cost-of-living adjustments (COLAs) provided in the state and local retirement systems compared to inflation in recent decades?**

This (Appendix) table and chart show this comparison.

### **What retirement benefits are currently available to the state/local workforce?**

This document (Appendix) should help answer this question.

### **How have state and local governments modified their human resource practices in response to the recession?**

See this survey <[http://www.slge.org/index.asp?Type=B\\_BASIC&SEC=%7b22748FDE-C3B8-4E10-83D0-959386E5C1A4%7d&DE=%7bA2C3B182-E31F-446B-B1CB-19D1CDD5BAEB%7d](http://www.slge.org/index.asp?Type=B_BASIC&SEC=%7b22748FDE-C3B8-4E10-83D0-959386E5C1A4%7d&DE=%7bA2C3B182-E31F-446B-B1CB-19D1CDD5BAEB%7d)> from the Center for State and Local Government Excellence.

### **Do you have information on work and disability among older Americans?**

Census Bureau Report: 65+ in the United States <<http://www.census.gov/prod/2006pubs/p23-209.pdf>>

Census Bureau Report: Americans with Disabilities <<http://www.census.gov/prod/2006pubs/p23-209.pdf>>

### **How common are automatic cost-of-living adjustments (COLAs) in other retirement systems?**

Automatic COLAs are extremely rare in the private sector, although a few employers still do occasional ad-hoc COLAs. For public sector employers, see p. 32 of this survey

<[http://www.legis.state.wi.us/lc/publications/crs/2008\\_retirement.pdf](http://www.legis.state.wi.us/lc/publications/crs/2008_retirement.pdf)> from the Wisconsin Legislative Council. Some of the other tables in this report might also be of interest.

### **How do pay and benefits compare between the public and private sectors?**

The Center for Economic and Policy Research has released a new report in May entitled, *The Wage Penalty for State and Local Government Employees* <<http://www.cepr.net/documents/publications/wage-penalty-2010-05.pdf>>. This report deals with the differences in pay between public and private sector employees; taking into consideration age, experience and education.

This new report <<http://www.nirsonline.org/index.php?option=content&task=view&id=395>>, commissioned by the National Institute on Retirement Security and the Center for State and Local Government Excellence, was released on April 28, 2010.

For general summary information, see this report <<http://www.bls.gov/news.release/pdf/ecec.pdf>> from the US Bureau of Labor Statistics. However, note that this data is not adjusted for a number of differences between the public and private sector workforces, including differences in education, type of job, job tenure, age, and others. It is also interesting to note the difference between small and large private sector employers (see Table 8). Many governments, particularly states, are obviously large employers and large private employer pay and benefits are much closer to government pay and benefits.

Much of the research comparing public and private compensation on a more apples-to-apples basis was done many years ago. This US Bureau of Labor Statistics article <<http://www.bls.gov/mlr/1996/05/art2exc.htm>> is a good summary of that older research and some of its findings probably still hold today.

In addition, here are some other articles that may be useful:

- Belman, D., and Heywood, J.S. 2004. Public sector wage comparability: the role of earnings dispersion. *Public Finance Review*, 32, 567-87. <<https://pantherfile.uwm.edu/heywood/www/567.pdf>> This article explores variation in the public-private wage differential, i.e. even if pay was the same on average, some people might be overpaid and others underpaid.
- Lewis, G.B., and Galloway, C.S. 2009. "A National Analysis of Public/Private Wage Differentials at the State and Local Levels by Race and Gender." Paper presented at the annual meeting of the Midwest Political Science Association, 67th Annual National Conference, The Palmer House Hilton, Chicago, IL.
- Lee, S. 2004. A Reexamination of public-sector wage differentials in the United States: evidence from the NLSY with Geocode. *Industrial Relations*, 43(2), 448-472.

### **How many state employees are due to retire in the next few years?**

Contrary to popular belief, the state does not face an impending wave of baby boomer retirements. The percentage that will become eligible in future years increases in a relatively steady manner, as shown in this chart (Appendix). The chart shows the cumulative percent of the current workforce that will be eligible for unreduced retirement benefits within the number of years shown. Since we currently offer unreduced benefits at 30 years of service, 100% are obviously eligible within 30 years. It is then not surprising that roughly half (15/30ths) are eligible within 15 years, a third (10/30ths) within 10 years, etc.

The chart just shows headcounts. It does not score people based on their importance to the organization. Within a given department, there may be a small number of people who are critical to the organization who are eligible for unreduced retirement within the next few years. However, adapting to their potential departure requires training and succession planning, not getting lots of new bodies in the door.

We have not shown the distribution for local employees, but it should be very similar.



**Please provide some demographics characteristics for people retiring in recent years.**

As these charts (Appendix) show, higher paid workers tend to have more service at retirement than lower paid workers. This is in direct contradiction of the expectations expressed during meeting two. In that meeting, it was noted that public sector pays are more compressed, which means that pays for positions at the lower end of the scale are higher in the public than in the private sector (see question above about public vs. private pay).

It was therefore suggested that lower-paid workers might hang on to a public sector job for the rest of their careers once they were able to obtain one, while the opposite would be true of higher-paid workers. In fact, the data shows the exact opposite. This can also be understood by looking back at the demographic charts in the meeting one readings and focusing on two types of employees: Professionals/Managers and Service Workers and Laborers (state) or Unskilled Labor (local). Professionals/Managers tend to have more service and be higher paid. The Service Workers and Unskilled Labor groups tend to be much lower paid and have lower service. Since all remaining groups (teachers, administrative, etc) are either small or have average service, these two groups explain most of the service-pay relationship.

This table (Appendix) shows 2009 averages, including age, service, and AFC for new retirees of the Teachers' and State Employees' Retirement System.

**How well would TSERS be funded if the State had always contributed 6%? Alternatively, what constant contribution rate would have been equivalent to the actual, variable contribution rate over some period of time?**

We are unable to answer the first question because we would have to make certain assumptions about other ripple effects of a constant contribution. In particular, what COLAs and benefit increases would have been granted if the contribution had been 6%? As a rough answer to the second question, the average employer contribution rate over the last 30 years has been 6.77% of pay. The 30-year history is shown on this chart (Appendix). It would require some effort to precisely calculate the constant contribution rate that would produce the same accumulated value of contributions, but it would probably be a little higher than 6.77% since the early contributions would be weighted more in this calculation.

**How does funded status differ by the type of benefit design?**

A direct comparison is probably misleading because the benefits may have changed over time. For example, Alaska has a defined contribution plan for all new hires. The defined contribution plan is, by definition, 100% funded, but the legacy defined benefit plan is underfunded. However, underfunding alone does not lead to DC conversions, as seen in the case of the overfunded plan in Florida. For more information on what does lead to DC conversions, see the next question.

If you wish to compare funded status and benefit design in specific states, the benefit information is available in the Wisconsin Legislative Council report <[http://www.legis.state.wi.us/lc/publications/crs/2008\\_retirement.pdf](http://www.legis.state.wi.us/lc/publications/crs/2008_retirement.pdf)> and the funded status information is available in the Pew study mentioned below. For more information on why funded status varies from state to state, see this report <[http://crr.bc.edu/briefs/why\\_does\\_funding\\_status\\_vary\\_among\\_state\\_and\\_local\\_plans\\_\\_3.html](http://crr.bc.edu/briefs/why_does_funding_status_vary_among_state_and_local_plans__3.html)> from the Center for Retirement Research at Boston College.

**What has driven certain states to switch to defined contribution or hybrid plans?**

The Center for Retirement Research at Boston College has done this study <[http://crr.bc.edu/briefs/why\\_have\\_some\\_states\\_introduced\\_defined\\_contribution\\_plans\\_.html](http://crr.bc.edu/briefs/why_have_some_states_introduced_defined_contribution_plans_.html)>.

**Please provide a link to the recent report of funded status of state pensions by the Pew Center on the States.**

The Trillion Dollar Gap: Pew Pensions and Retiree Health Care Report Tackles Underfunded State Retirement Systems and the Road to Reform

<[http://www.pewcenteronthestates.org/report\\_detail.aspx?id=56695](http://www.pewcenteronthestates.org/report_detail.aspx?id=56695)>

**Please provide a link to any retirement resources from the National Education Association.**

The NEA's main page with information on retirement benefits is here

<<http://www.nea.org/home/30068.htm>>. The NEA also recommended research from the National Institute on Retirement Security <<http://www.nirsonline.org/>>, particularly their education page

<[http://www.nirsonline.org/index.php?option=com\\_content&task=view&id=338&Itemid=116](http://www.nirsonline.org/index.php?option=com_content&task=view&id=338&Itemid=116)>, which has a Pension Primer.

**Please provide links to recent reports on state pension funding from the Manhattan Institute and the Heartland Institute.**

Underfunded Teacher Pension Plans: It's Worse Than You Think <[http://www.manhattan-institute.org/html/cr\\_61.htm](http://www.manhattan-institute.org/html/cr_61.htm)>

States' Pension Bubble About to Break

<[http://www.heartland.org/full/27577/States\\_Pension\\_Bubble\\_About\\_to\\_Break.html](http://www.heartland.org/full/27577/States_Pension_Bubble_About_to_Break.html)>

**For those who have a choice between the Optional Retirement Program (ORP) and the Teachers' and State Employees' Retirement System (TSERS), how many choose each program?**

This spreadsheet (Appendix) shows the percent electing the ORP vs. TSERS at NCSU and UNC-CH in recent years. We do not have data from the smaller campuses, but generally believe that more would elect TSERS at the smaller campuses due to less anticipated movement during their careers.

**For those who choose the Optional Retirement Program (ORP), how many choose to turn some portion of their balance into an annuity (monthly income for life)?**

Using data for their participants throughout the whole country, TIAA-CREF has found that approximately 30% of those who begin an income stream will choose to annuitize some portion of their assets.

Approximately 17% of those beginning an income stream choose to fully annuitize. Those partially annuitizing often use other income options offered by TIAA-CREF to complement their lifetime income choice. The percent annuitizing in the UNC ORP may be somewhat higher because participants must annuitize to qualify for retiree medical coverage.

**What retiree medical benefits are offered to public employees in other states?**

This document <<http://www.nasra.org/resources/medical/SLGE.pdf>> provides a summary of benefits in each of the states. This document <<http://www.slge.org/vertical/Sites/%7BA260E1DF-5AEE-459D-84C4-876EFE1E4032%7D/uploads/%7BDA8CD136-5814-4AEA-AF21-067EF733C619%7D.PDF>> has some information on the level on unfunded liability in different states and the reasons for the differences, for example Table 3.

**Which states offer some of their employees only a defined contribution (DC) plan?**

As noted in this previously cited document

<<http://www.ncsl.org/Portals/1/Documents/employ/StateGovtDCPlansSept2009.pdf>>, Alaska, Michigan, and the District of Columbia are the only ones. West Virginia offered only a DC plan to teachers from 1991 to 2005, when they switched back to a defined benefit plan. Nebraska offered only a DC plan to state employees from 1967 to 2002, when they switched to a cash balance plan.

**Please provide information on methods for keeping employees past 30 years of service.**

See this summary (Appendix) of common approaches.

**Please provide information on Deferred Retirement Option Plans (DROPs)**

We have prepared this summary (Appendix).

**Please provide information on salaries, employee and employer contributions, turnover rates, and replacement rates for 10 peer states.**

See this table (Appendix).

**Please provide a link to the recent NY Times article on pension changes in Colorado and the impact of pensions on the general public.**

Battle Looms over Huge Costs of Public Pensions <<http://www.nytimes.com/2010/08/07/your-money/07money.html>>

## **Minority Opinions**

Commission members were invited to submit minority opinions. However, no members requested to have a minority opinion included in the final report.