

JUNE 1

Potential Retirement System Changes (Legislative Changes)		
Proposed Modification	Contribution Rate Impact	Factors to Consider
Redirect the statutory state and school 1.5% DC contribution in the Noncontributory Public System to the DB plan	DB rate is unchanged but additional funding is provided for the NC Public System without providing new funding source	Can the DC contribution legally be moved? Or, is this just a change in the form that a benefit is received?
Change final average salary (FAS) from 3 years to 5 years/no grandfathering provision; retiring prior to 6/30/2011 get 3 year FAS; prior to 6/30/2012 get 4 year FAS; and thereafter 5 year FAS	Rate goes down 0.87% from state and school; 0.74% for locals; PS and FF range between 1.46% and 1.74%	Can the formula for retirement be reduced for those members already in the system?
Change multiplier from 2.0% to 1.9% (results in a 5% reduction of the benefit)	No grandfathering saves 1.54% Grandfather those eligible to retire saves 1.06% Only future service saves 0.71% Only future service with those eligible to retire grandfathered saves 0.67% Only for new hires saves 0.25%	Can the formula for retirement be reduced for those members already in the system?
Change the minimum age for retirement in public system	Min age 55, new hires only saves state 0.01% and locals 0.04% Min age 55, grandfather all currently eligible to retire saves state 0.10% and locals 0.21% Min age 55, no grandfathering saves state 0.15% and locals 0.28% Min age 60, new hires only saves state 0.10% and locals 0.13% Min age 60, grandfather all currently eligible to retire, saves state 0.68% and locals 0.77% Min age 60, no grandfathering saves state 0.88% and locals 0.94%	Potential legal challenge from those already in the system, especially from those who are eligible to retire or close to retirement

(Continued) Change the minimum age for retirement in public system	Min age 62, new hires only saves state 0.17% and locals 0.18% Min age 62, grandfather all currently eligible to retire, saves state 1.12% and locals 1.09% Min age 62, no grandfathering saves state 1.41% and locals 1.30%	
Member pays full actuarial cost if retiring prior to age 65 with less than 30 years of service rather than the 3% currently applied	Rate goes down 0.38% for state and school, and 0.26% for locals	Potential legal challenge from current employees
Defer COLA to 3 rd anniversary of retirement or 1 st retirement anniversary after turning age 65, whichever comes first	With no grandfathering, saves state and school 0.74%, 0.58% for locals; and PS and FF savings range from 1.30% to 1.80%	Subject to legal challenge from current non-retired members
25 year retirement system for PS and FF	For new hires only, state saves 0.39%; if grandfathering those with 18 years or more and a sliding scale for those with less service saves 0.96%, locals vary between 0.42% and 0.57%	Potential legal challenge if applied to current employees
Move from a noncontributory to a contributory retirement system so member may participate in funding the benefit	Any rate increase (decrease) can be shared between the employer and the member; however, adding a member paid piece will allow terminating members to take a withdrawal from the system, thus increasing the cost to the system	A long-term solution to contribution rate fluctuations but subject to legal challenge from those members already in the system
Change post-retired employment and associated mandated contributions	Depends upon changes	Can changes be applied to those currently in post-retired status?

Note: The information above is preliminary in nature and is intended only as a guide for pension reform discussion. Proposed changes applicable to new hires only are not subject to the same legal challenge as those affecting current employees. The specific language of any legislation making changes may impact the cost or savings of any proposal. Legal issues exist as to whether, how, or if pension reform changes can be implemented.

The impact of the various changes may not be additive because as one change is selected, it may reduce the savings of another change.