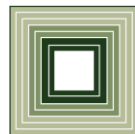


Pension Benefits Discussion

**House Select Committee on Legacy Costs from
the State Health Plan, Pensions, and
Employment Security Commission**

December 13, 2011



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Major Benefit Programs

- Teachers' and State Employees' Retirement System
 - Active Members: 426,832
 - Retired Members: 163,938
- Local Governmental Employees' Retirement System
 - Active Members: 163,662
 - Retired Members: 49,204
- Consolidated Judicial Retirement System
 - Active Members: 614
 - Retired Members: 543
- Legislative Retirement System & Legislative Fund
 - Active Members: 246
 - Retired Members: 258

Other Benefit Programs

- Firemen's and Rescue Squad Workers' Pension Fund
- National Guard Pension Plan
- Register of Deeds Supplemental Pension Plan
- Disability Income Plan of North Carolina
- Death Benefit Trust

Defined Contribution Plans

- University Optional Retirement Program
- Supplemental Retirement Income Plan -NC 401(k)
- NC Deferred Compensation Plan - 457

Teachers' and State Employees' Retirement System Defined Benefit - formula

- Years of Service x Average Final Compensation (48 highest consecutive months salary) x Accrual Factor (1.82%) = Annual Benefit Amount
- Annual pension benefits equal approximately 54% of Average Final Compensation with 30 years of service.

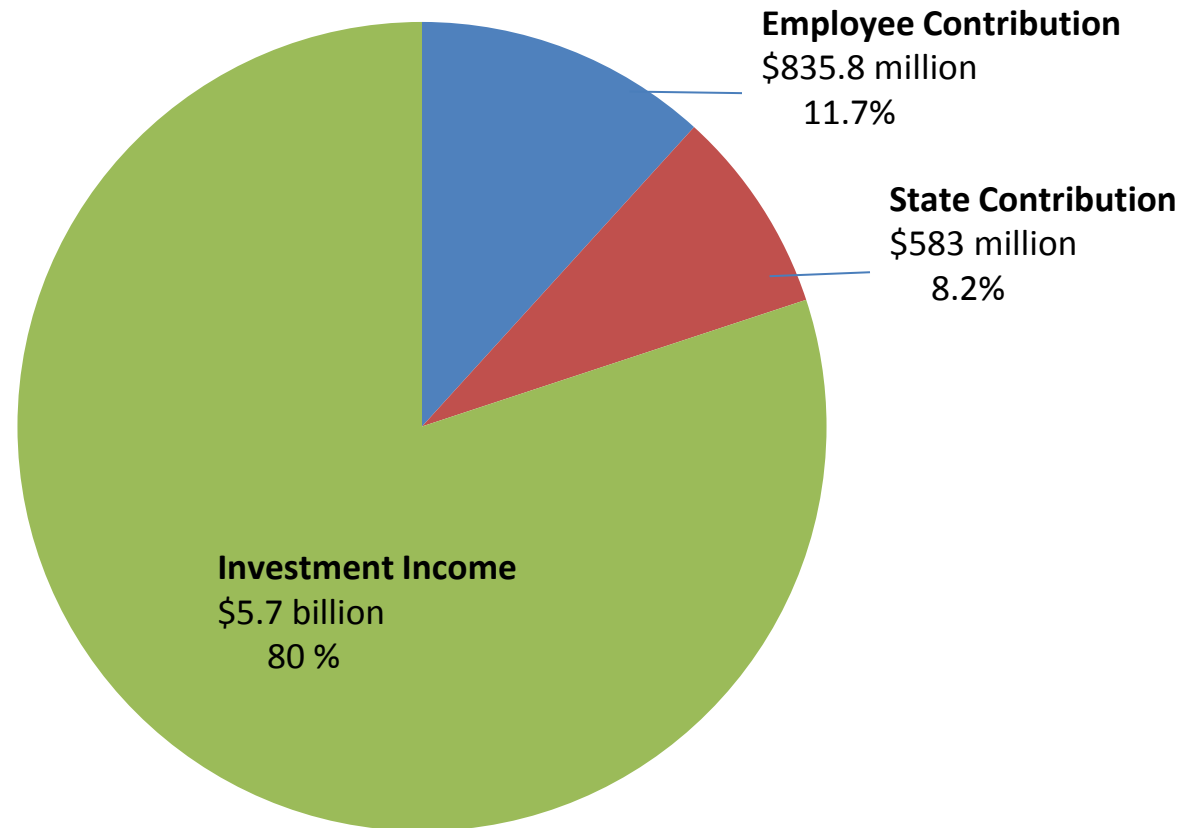
Teachers' and State Employees' Retirement System

Sources of Funding

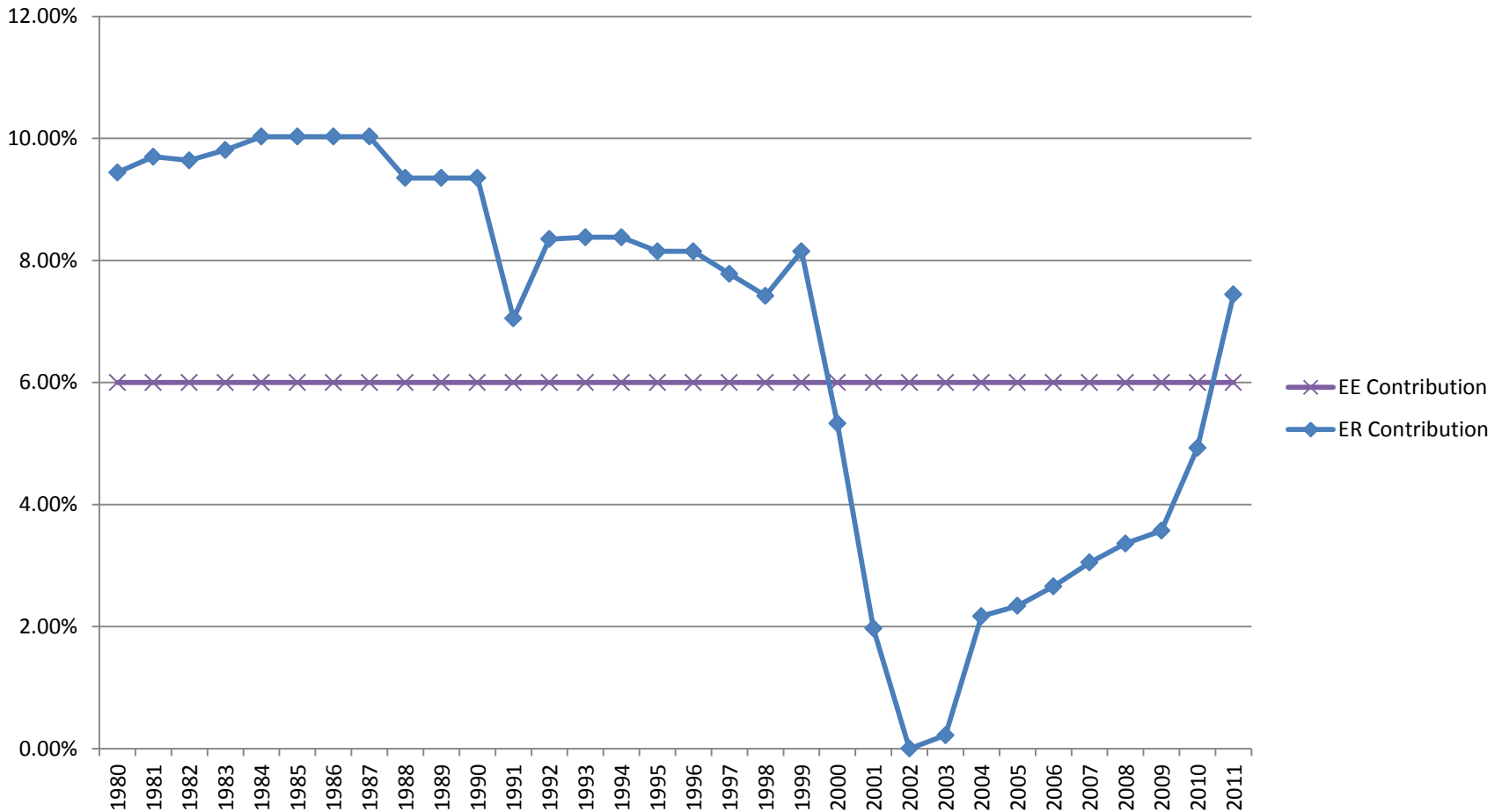
- Active Employees contribute 6% of salary
- Employers contribute annually based upon recommendations of the System's actuary and funding appropriated by the General Assembly
 - 7.44% for FY 2011-12 and 8.33% budgeted for FY 2012-13
- Investment income

Teachers' and State Employees' Retirement System Sources of Funding

Year Ending December 31, 2010



Teachers' and State Employees' Retirement System Contribution History

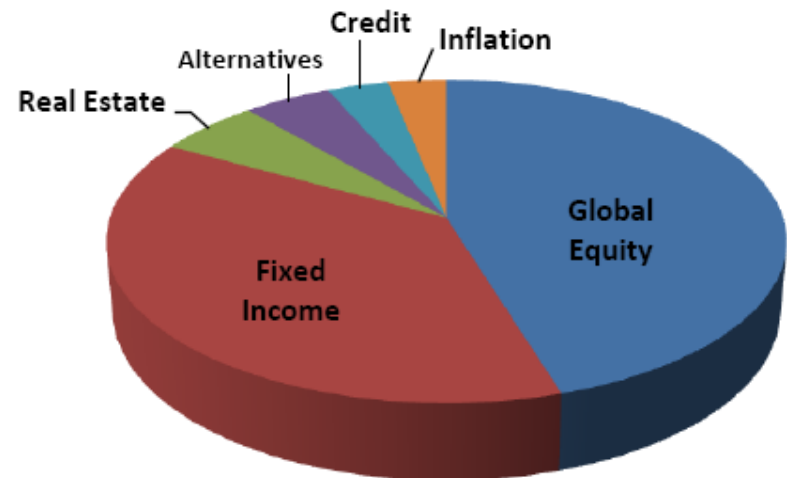


Teachers' and State Employees' Retirement System

Asset Allocation

June 30, 2011

	<u>Current %</u>	<u>Policy %</u>
Global Equity	45.25%	40.5%
Fixed Income	37.76%	38.0%
Real Estate	5.63%	8.0%
Alternatives	4.82%	4.5%
Credit	3.34%	4.5%
Inflation	3.20%	4.5%

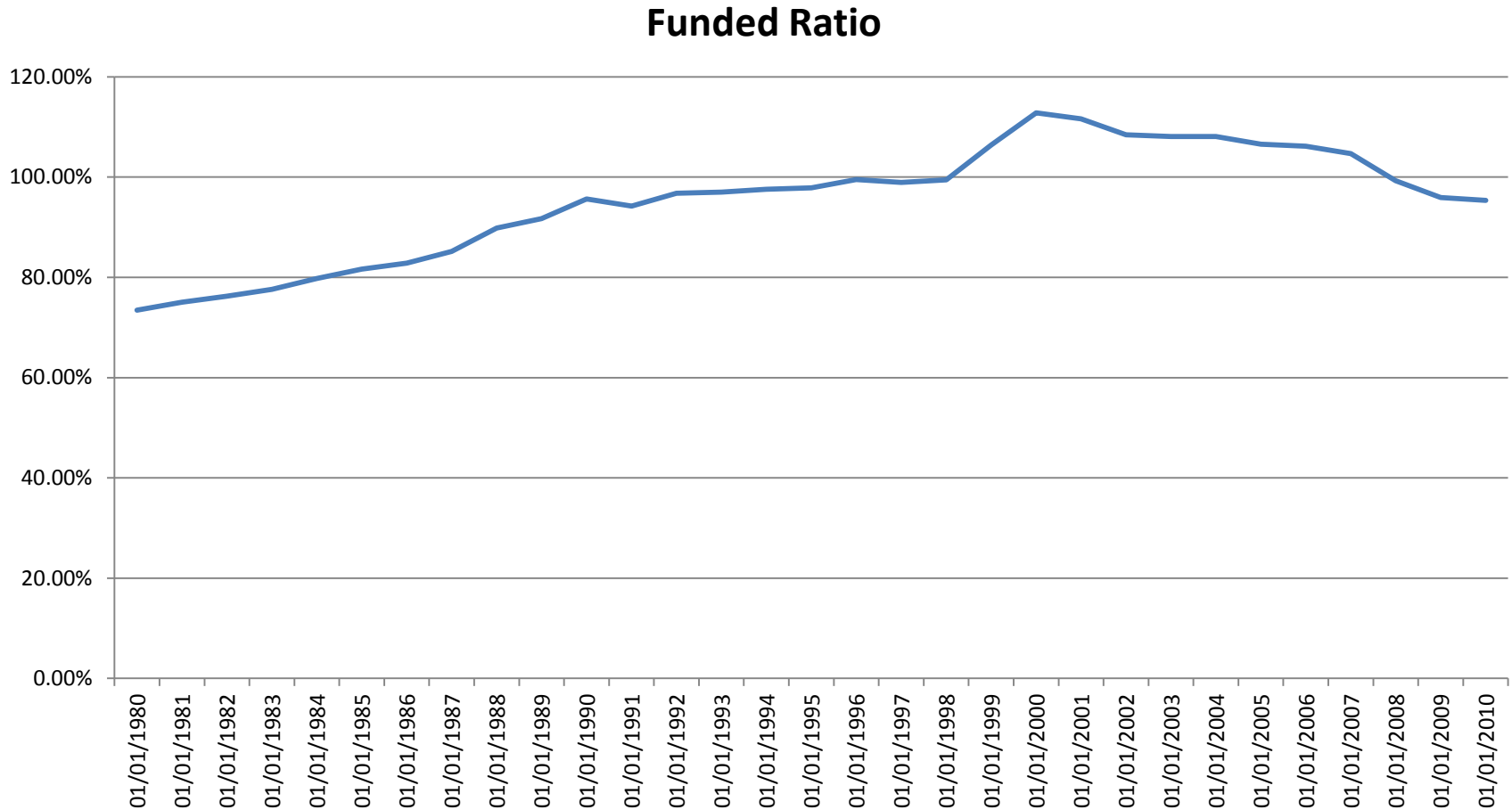


Teachers' and State Employees' Retirement System Funded Ratio

$$\text{Funded ratio} = \frac{\text{assets}}{\text{liabilities}}$$

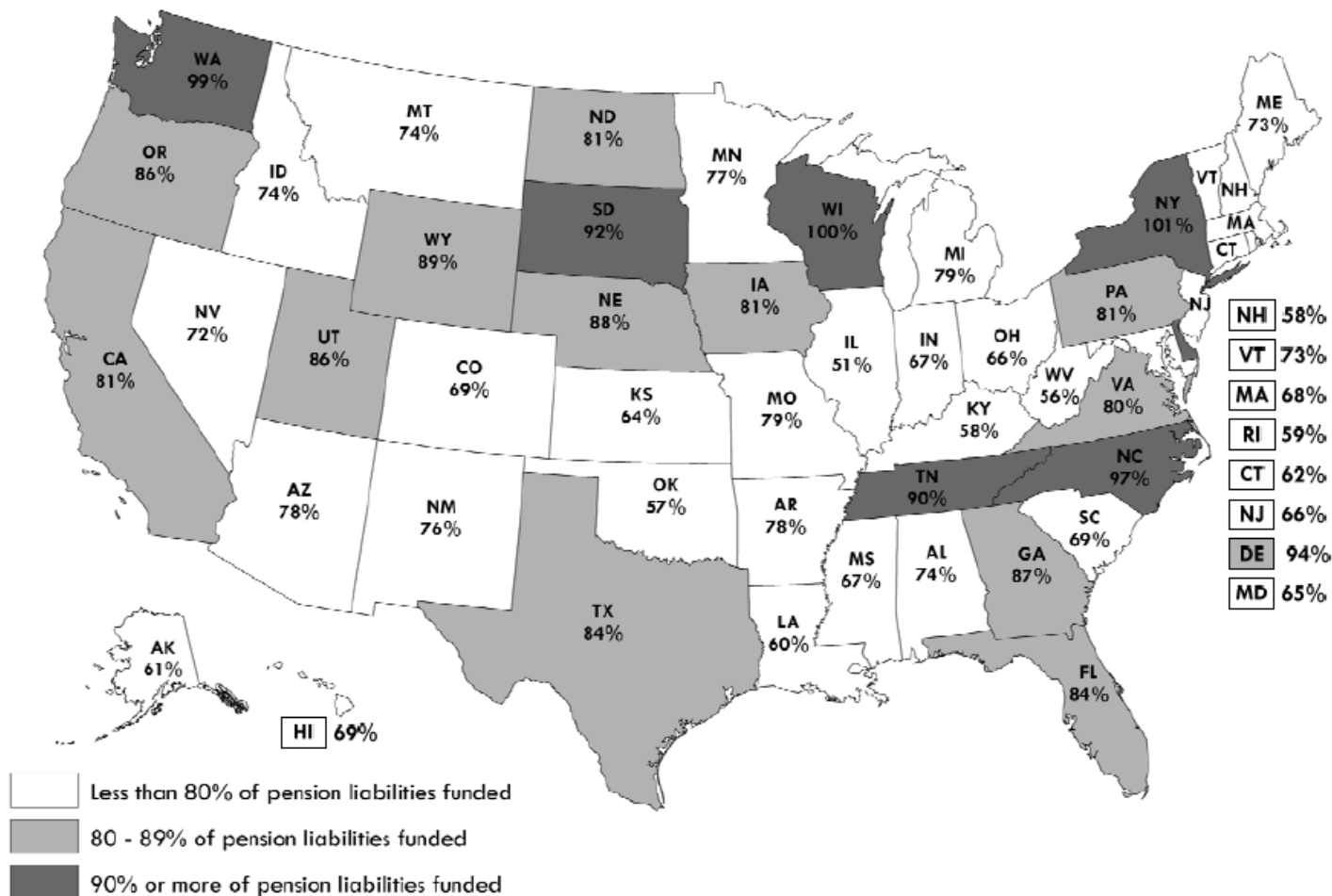
- Indicates the percentage of accrued benefits that are covered by current assets.
- 95.4% funded as of December 31, 2010
- Unfunded accrued liability totaled \$2.8 billion as of December 31, 2010

Teachers' and State Employees' Retirement System Funded Ratio History



Teachers' and State Employees' Retirement System Funded Ratio Comparison

Data as of December 31, 2009



Source: Program Evaluation Division based on a map appearing in the Pew Center on the States's 2011 report entitled "The Widening Gap: The Great Recession's Impact on State Pension and Retiree Health Care Costs."

Teachers' and State Employees' Retirement System Funded Ratio

- Each 1% drop in the funded ratio equates to a .5% increase in the employer contribution rate.
- Each .5% increase in the employer contribution rate would cost the General Fund approximately \$50 million annually.

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