



**County Manager's Office
Inter-Office Correspondence**

DATE: October 1, 2018
TO: Wake County Board of Commissioners
FROM: Johnna Rogers
Chief Operating Officer
SUBJECT: Monthly Pension Spiking Reports – Change in Process

Over the past year, monthly Pension Spiking reports for both the county and Wake County Public Schools systems. This report is provided monthly by the NC Retirement Systems Division of the State Treasurer and identifies County employees who may require an additional employer contribution - should the employee elect to retire in the following 12 months - due to an increase in salary prior to retirement. This report is reviewed and monitored for potential funding liability. These reports are routine in nature and are being reviewed by both County and Schools staff. Going forward, these reports will not be shared with the board but will be maintained by staff and be available to the Board should there be an interest in reviewing them.

The reports attached are the most recent ones not shared with the Board and will be the last to be included in the information packet.

Should you have any questions or wish to review these in the future, please do not hesitate to contact me.

Attachments:

Wake County Pension Spiking Reports for July and August 2018
Wake County Public Schools Pension Spiking Reports for May through July 2018



RETIREMENT SYSTEMS DIVISION

STEVEN C. TOOLE
EXECUTIVE DIRECTOR

7/13/2018

99201 - WAKE COUNTY
ATTN: CHIEF FINANCIAL OFFICER OR BUDGET ADMINISTRATOR
PO BOX 550
RALEIGH, NC 27602

Wake County
Human Resources
JUL 30 2018
RECEIVED

Dear 99201 - WAKE COUNTY:

During the 2014 General Assembly session, contribution-based benefit cap legislation was enacted effective January 1, 2015. The purpose of this legislation is to control the practice of "pension spiking," in which a member's compensation significantly increases late in his or her career, thereby creating unusually high unforeseen liabilities to the Retirement System to pay a monthly retirement benefit that is significantly greater than the member and employer contributions would fund. Prior to January 1, 2015, these liabilities were shared and consequently absorbed by all agencies participating in the Retirement System. This legislation applies to members who retire on and after January 1, 2015, with an average final compensation of \$100,000 or higher (adjusted annually for inflation), and will only directly impact a small number of those individuals. It requires the member's last employer to pay the additional contribution required to fund the member's benefit in excess of the cap. [G.S. 135-5(a3); 135-4(jj); 128-27(a3); and 128-26(y)]

In order to assist employing agencies with planning and budgeting to comply with the contribution-based benefit cap provisions, we are required to report monthly to each employer a list of those members for whom the employer made a contribution to the Retirement System in the preceding month that are most likely to require an additional employer contribution should they elect to retire in the following 12 months. This letter and the attached report serve as our required monthly notification to your agency under this provision. [G.S. 135-8(f)(2)(f) and G.S.128-30(g)(2)(b)]

The chief financial officer of your agency is required to provide a copy of the attached report to the chief executive of your agency, as well as to the governing body, including any board which exercises financial oversight. Additionally, the chief financial officer of a public school system is required to provide a copy of the report to the local board of education and notify the board of county commissioners of the county in which the local administrative unit is located that the report was received and how many employees were listed in the report. [G.S. 115C-436(c); 135-8(j); and 128-30(j)]

The attached report lists employees of your agency who may be eligible to retire in the next 13 months, and whose salary is \$90,000 or greater based on information in the employee's most recent annual benefits statement. Your agency may be required to submit an additional amount to the Retirement Systems in the form of a lump-sum payment, due after the employee retires, to cover these unforeseen liabilities should the employee elect to retire in the next 12 months.

This list is not exhaustive, and members included on this list may or may not exceed the contribution-based benefit cap upon retirement, depending on a number of factors such as the member's average final compensation, the member's age at retirement, and membership service. This is merely a notification of a potential cost that your agency may be required to pay in the future.

Your agency can utilize the statutory formula to help determine the likelihood that the retirement allowance of a member listed on the attached report might exceed the contribution-based benefit cap (CBBC). The current CBBC Factor for TSERS is 4.5 and LGERS is 4.7. The current multiplier for TSERS is 0.0182 and LGERS is 0.0185. The listing of current annuity factors can be found at <https://www.nctreasurer.com/Retirement-and-Savings/For-Government-Employers/Pages/default.aspx>. You can access the member's accumulated contribution balance and service history through ORBIT Self-Service (Reporting – View Member Info – View Account History). The total contribution balance does not include the interest (currently 4%) for the current year. The CBBC formula is as follows:

Benefit Formula = AFC X Multiplier X Service

CBBC Formula = Contributions / Annuity Factor X CBBC Factor

If Benefit is greater than CBBC, the difference is multiplied by the Annuity Factor

You can contact the Retirement System for assistance in calculating the likelihood of a potential CBBC liability for a particular member. Additional information and video training regarding the contribution-based benefit cap is available on our website at www.myncretirement.com.

If you have any questions or concerns, please contact Shannon Wharry at (919) 814-4187 by phone or at shannon.wharry@nctreasurer.com by email.

Sincerely,

Ron Chisolm Jr.

Ron Chisolm Jr.
Chief of Retirement Processing
Retirement Systems Division

623_PENSPK



North Carolina
Total Retirement Plans

North Carolina Department of State Treasurer
Retirement Systems Division
3200 Atlantic Ave, Raleigh, NC 27604
1-877-NCSECURE (1-877-627-3287) toll-free • Fax (919) 855-5800
www.myncretirement.com

Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA



CONTRIBUTION-BASED BENEFIT CAP REPORT

Agency	Member ID	Name
99201-WAKE COUNTY	994694	GOODWIN, DAVID L
	373657	MALONEY, TIMOTHY W
	1105463	WATTS, CLAUDIUS O
	386530	BRAUNBACH, KELLI A
	752760	COPE, FRANK R
	1083588	RICHARDSON, PAULA J
	443838	PETTEWAY, REGINA Y
	1070006	MANNING, CLARECE
	1147894	FREEMAN, TYRONE
	854895	BUTLER JR, GENE D
	709883	WARREN, SCOTT W
	1236220	DEAN, MICHAEL T
	787364	PIERCE, ANDRE C
	569039	SNOW, CHRISTOPHER M
	783217	BROWN, KEVIN L

* PLEASE FORWARD TO YOUR CHIEF FINANCIAL OFFICER OR BUDGET ADMINISTRATOR

99201-WAKE COUNTY

559119	NICHOLSON, GWENDOLYN R
1508078	SUPERVILLE, JEMMA G
406172	MAIORANO, ANNEMARIE
1122451	DINGLE, GEMMA M

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ORBIT - PensionSpikingReportbyAgency Version # 1



Dale R. Folwell, CPA



RETIREMENT SYSTEMS DIVISION

STEVEN C. TOOLE
EXECUTIVE DIRECTOR

8/16/2018

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PO BOX 550
RALEIGH, NC 27602

Wake County
Human Resources
AUG 24 2018
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ORBIT - PenstonSpikingReportbyAgency Version # 1



Finance
Mark Winters, MBA, Finance Officer
Crossroads 2
110 Corning Road
Cary, NC 27518

tel: (919) 694-0312
fax: (919) 431-7498

MEMORANDUM

Date: September 18, 2018

To: Johnna Rogers
Deputy County Manager

From: Mark Winters
Finance Officer

Re: Pension Spiking Legislation

Please see below for new reporting requirements for local boards of education to boards of county commissioners:

SECTION 4.(a) G.S. 115C-436 is amended by adding a new subsection to read:

"(c) Upon receipt of a report from the North Carolina Teachers' and State Employees' Retirement System, generated pursuant to G.S. 135-8(f)(2)f., containing a list of employees for whom the local board of education made a contribution to the North Carolina Teachers' and State Employees' Retirement System that is likely to require an additional employer contribution should the employee elect to retire in the following 12 months, the school financial officer shall transmit a copy of the report to the local board of education. The school financial officer shall also notify the board of county commissioners of the county in which the local administrative unit is located that the report was received and the number of employees listed in the report."

This memorandum serves as notice that the Wake County Public School System received a report dated May 17, 2018 from the Retirement Division of the State Treasurer of North Carolina with 44 employees included on the list. Funding has been reserved for the potential liability. This information has been shared with the Wake County Board of Education.



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This memorandum serves as notice that the Wake County Public School System received a report dated June 14, 2018 from the Retirement Division of the State Treasurer of North Carolina with 43 employees included on the list. Funding has been reserved for the potential liability. This information has been shared with the Wake County Board of Education.



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This memorandum serves as notice that the Wake County Public School System received a report dated July 13, 2018 from the Retirement Division of the State Treasurer of North Carolina with 36 employees included on the list. Funding has been reserved for the potential liability. This information has been shared with the Wake County Board of Education.