



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

**DATE:** January 17, 2018  
**TO:** Wake County Board of Commissioners  
**FROM:** Johnna Rogers  
Deputy County Manager  
**SUBJECT:** Monthly Pension Spiking Report

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Pursuant to North Carolina General Statute 128-30 (j), enclosed is the Pension Spiking Report for the County. 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.

**G.S. 128-30 (j): Pension Spiking Report.** – Upon receipt of a report from the Retirement System generated pursuant to G.S. 135-8(f)(2)f., containing a list of employees for whom the employer made a contribution to the North Carolina Local Governmental Employees' Retirement System that is likely to require an additional employer contribution should the employee elect to retire in the following 12 months, the employer's chief financial officer shall transmit a copy of the report to the governing body of the employer, if applicable."



RETIREMENT SYSTEMS DIVISION

STEVEN C. TOOLE  
EXECUTIVE DIRECTOR

Wake County  
Human Resources

JAN 03 2018

RECEIVED

12/21/2017

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

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](http://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](mailto: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	1464547	BURLINGAME, ANN M
	994694	GOODWIN, DAVID L
	467374	OLSON, JONATHAN A
	373657	MALONEY, TIMOTHY W
	1507586	SINCLAIR, LISA M
	1105463	WATTS, CLAUDIUS O
	386530	BRAUNBACH, KELLI A
	845249	MCCULLEN, SUSAN S
	537989	HORTON, DAVID G
	713781	CAULEY, LISA TUCKER
	752760	COPE, FRANK R
	465387	YEAGER, DAVID R
	1083588	RICHARDSON, PAULA J
	637122	HAWLEY, ROGER E
	443838	PETTEWAY, REGINA Y

\* PLEASE FORWARD TO YOUR CHIEF FINANCIAL OFFICER OR BUDGET ADMINISTRATOR

99201-WAKE COUNTY

1147894	FREEMAN, TYRONE
1425961	HOPKINS, SHEILA C
854895	BUTLER JR, GENE D
709883	WARREN, SCOTT W
602101	TAYLOR, DAVID K
787364	PIERCE, ANDRE C
569039	SNOW, CHRISTOPHER M
559119	NICHOLSON, GWENDOLYN R
434237	BURRUS, CRAIG C
1508078	SUPERVILLE, JEMMA
451563	SAMPSON, RICHARD B
406172	MAIORANO, ANNEMARIE

\* PLEASE FORWARD TO YOUR CHIEF FINANCIAL OFFICER OR BUDGET ADMINISTRATOR

ORBIT - PensionSpikingReportbyAgency Version # 1



**WAKE COUNTY**  
**PUBLIC SCHOOL SYSTEM**

**Finance**

**Mark Winters, MBA, Finance Officer**

Crossroads 2

110 Corning Road

Cary, NC 27518

tel: (919) 694-0312

fax: (919) 431-7498

**MEMORANDUM**

**Date:** January 17, 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 November 16, 2017 from the Retirement Division of the State Treasurer of North Carolina with 35 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.