



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT

PAT MCCRORY
GOVERNOR

ANDREW T. HEATH
STATE BUDGET DIRECTOR

November 09, 2016

Memorandum

To: Department Heads and Chief Financial Officers

From: Andrew Heath 
State Budget Director

Re: Allocation of the Reserve for Future Benefit Needs

In accordance with Session Law 2016-94, Sections 36.20(b) and 36.24(b), and with my August 4th memo entitled "Summary of General Provisions in the 2016 Appropriations Act (page 7)," OSBM is distributing funds in the Reserve for Future Benefit Needs to individual State agency budgets.

The Retirement Systems Division of the Department of State Treasurer has billed agencies at a rate of 16.12% for the first six months of FY 2016-17, and starting with Contribution Summary Information (CSI) submissions for January 2017 will be billing agencies at a rate of 16.54% through July 2017 for CSI submissions for June 2017. The average annual rate of the two billing percentages is 16.33%. For Law Enforcement Officers the rates for the two periods will be 21.12% and 21.54%, respectively. Since the Future Benefit Needs reserve was appropriated as a recurring annualized reserve to adjust the retirement rates to 16.33% and increase health plan amounts by \$188 annually, OSBM will distribute these funds with a July 1, 2016 effective date. This adjustment changes the employer contribution rates for retirement and health related benefits for the 2016-17 fiscal year to the following:

Retirement Rates:

	<u>FY 2016-17</u>
Teachers and State Employees	16.33%
Law Enforcement Officers	21.33%
University Employees Optional Retirement	13.03%
Community College Optional Retirement	13.03%
Consolidated Judicial Retirement	35.27%
Legislative Retirement	24.03%

State Health Plan Employer Payments for Teachers and State Employees:

Medicare Eligible Employees and Retirees	\$4,397
Non-Medicare Eligible Employees and Retirees	\$5,659

OSBM would like to emphasize that the annual retirement rate for budget purposes is 16.33%; however, agency payroll systems will be billed at a higher amount for the last six months for retirement and health to compensate for the lower billing rates during the first six months. The billing rates will average to the annual rates listed in the table above.

By November 18, 2016, each agency should submit a type-11 recurring budget revision for the distribution of the retirement increase of +0.21% based on salary line items (e.g., the Teachers and State Employees Retirement System rate is increasing from 16.12%, which is already budgeted, to 16.33%, a 0.21% increase). Agencies should also submit a separate recurring budget revision to adjust the health rate per FTE by \$188. Both revisions will have an effective date of July 1, 2016 and agencies should attach their back-up calculations to the budget revision. Appropriation required to cover both the rate increase for retirement and health for **positions supported by state appropriations** will come from statewide budget code:

- 19064 Reserve for Future Benefit Needs

OSBM will add these budget revisions to your submitted Worksheet I packages, so they will be included in the base budget submitted by the Governor to the General Assembly. Please remember that the retirement adjustment is an incremental increase based on your existing salary line items. If an agency has an existing structural deficiency in its retirement or health line items, then the structural deficit should be addressed as a Base Budget adjustment during the FY 2017-19 budget development process.

Reminder Concerning Funding Sources

In accordance with Section 36.14(b) of Session Law 2016-94 (HB 1030), any eligible employee whose salary is paid partially from the General Fund or Highway Fund and partially from other sources shall receive the allowable retirement and health increase from the General or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund. Additionally, any eligible employee whose annual salary is paid fully from sources other than the General Fund or Highway Fund shall be budgeted for the retirement and health increases from the source of funds that pays for the employee's salary. Agencies should include the required receipt adjustments on each budget revision requested above.

If you have any questions about the information outlined in this memorandum, please contact your OSBM budget analyst at (919) 807-4700.