

## MINUTES

Future of Retirement Study Commission  
August 23, 2010, 9:00 a.m.  
Dawson Conference Room  
Albemarle Building, 325 N. Salisbury Street  
Raleigh, NC

The meeting was called to order by Dr. Robert Clark, Chairman at 9 am.

### Members Present

Commission members present were: Charles Abernathy, Mary Bethel, Randy Byrd, Joseph Coletti, Monda Griggs, Charles Johnson, Shirley Morrison, Aaron Noble, and Senator Richard Stevens. Darleen Johns attended by phone.

### Members Absent

Commission members Representative Deborah Ross and Charles Perusse were absent.

### DST Staff Present

Members present from the Department of State Treasurer were Michael Williamson, David Vanderweide, Christopher Jones, Debra Bryan, David Starling, Ellen Richardson, and Pat Stussie.

### Approval of Minutes

It was moved, seconded, and carried that the minutes of the meeting of the Commission held on July 12, 2010 be approved as submitted to the commission.

### Review of Defined Contribution Choice

Chairman Clark reviewed the Optional Retirement Program (ORP) offered by the University System. He discussed the advantage of this option for recruiting faculty.

Discussion followed on the different issues that need to be considered if a defined contribution choice is offered to all State Employees.

- Will this be an initial choice only or will employees be allowed to switch at another time?
- If allowed, how will the state value the account at the switch?
- Will employees be offered more education about the choices?

- What will the default be for the employee that does not choose?
- Will this new choice apply to current employees?
- What is the impact of the Defined Benefit (DB) plan for members to switch?

The motion was made that the Commission recommend all new employees be offered a choice between the current Defined Benefit (DB) systems and a Defined Contribution (DC) plan. This choice will be structured to be cost neutral to the State and local governments, require a strong education component and default to the DB plan with at least one switch option offered. Discussion followed and the commission agreed unanimously that they will recommend this choice to the Board of Trustees.

The Chair called for a break at 10:21 am. The meeting resumed at 10:35 am.

### DB/DC Combination Plan

The Chair discussed providing a DB/DC combination plan. The DB formula would be the same as in the current systems, but with a 1% multiplier. The DB system would have no employee contributions. Instead, mandatory employee contributions would go to a DC plan. Several Commission members commented that offering choice already addressed most of the same concerns that would be addressed by this design. The Commission opposed this proposal unanimously, with Senator Stevens abstaining.

### Defined Benefit Alternatives

Discussion continued on DB alternative design one. The Commission unanimously agreed to oppose changing the multiplier to 1.7% if you serve less than 30 years and indexing benefits at 3% between separation and retirement.

Discussion continued on DB alternative two, changing the multiplier to 1.62% for 1<sup>st</sup> ten years, 1.87% for 2<sup>nd</sup> ten years, and 2.12% after twenty years. This alternative was unanimously opposed by the commission.

Discussion continued on DB alternative three, changing the multiplier to 1.81% for 1<sup>st</sup> thirty years, and 2.0% for service after thirty years. This alternative was unanimously opposed by the commission.

### Return of Contributions

Discussion followed on the return of non-vested contributions. The commission unanimously agreed that the calculation of interest should reflect current market interest rates, for example LIBOR or Treasury Bill yields.

Interest for Non-Vested Employees

New employees that become vested currently receive a 4% return on their retirement contributions upon withdrawal. The commission unanimously agreed that non-vested employees should also receive interest.

Anti-Spiking Changes

The commission continued discussion on anti-spiking issues. It was unanimous, with Ms. Johns having left the meeting that the commission will propose not to change the final average salary calculations and not propose any anti-spiking limitations. Several members expressed that cases of spiking in North Carolina were isolated, even if the more significant cases do make the news.

Changes to Retirement Age

Discussion followed on changing minimum age in the retirement system. Hazardous duty positions were discussed as staff that would need to be considered differently from general state employees if this were to change. This item was tabled until the next meeting.

Action Items

The Commission requested additional readings on retirement ages in other public plans.

Adjournment

There being no further business the meeting was adjourned by the chairman, Robert Clark. The meeting adjourned at 11:55 am.

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Chairman

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Date

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Director, Retirement Systems

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Date