

## **North Carolina Future of Retirement Study Commission**

*Remarks Presented By: Pam Deardorff, Executive Director of North Carolina Retired School Personnel (NCRSP)*

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I'm Pam Deardorff, Director of NC Retired School Personnel, the retired division of NC Association of Educators. I'm a retired state employee (the Retirement Systems Division, actually) and a recipient of the Teachers and State Employees Retirement System.

On behalf of our 12,000 retired members, I would like to elaborate on a couple of points that Sheri Strickland, NCAE President has mentioned.

First of all, we too, appreciate the work of this commission. Planning and vision are essential for systems of this magnitude and complexity. My understanding is that our basic Defined Benefit Plan and the whole system have served the state well for many years. My colleagues from other states know of North Carolina's success and when we're in national meetings together, they always want more details about how things work here. National pension experts more often than not cite North Carolina as a model of a well run pension system and rank us high on the lists of successful, solid systems.

All of this is to say that, apparently, the state has been doing something right. We want to encourage this commission to maintain those successful aspects of the system that have worked so well for so many for so long.

We support the Defined Benefit Plan -----and the availability of optional supplemental retirement plans for members. We do feel that educational programs on retirement planning, financial literacy, and investment options are valuable and necessary tools for employees.

We do have a concern about the Annual Required Contribution (ARC) for TSERS that is before the General Assembly for consideration at this time. Treasurer Cowell has publicly stated, "It is imperative that state leaders prepare for increased and sustained pension contributions in their budgets over the coming years in order to maintain a healthy pension fund."

The Plan's actuary has recommended an additional appropriation for the coming year of \$181 million. The Senate has offered an additional \$20 million, while the House of Representatives has recommended \$40 million and a provision that would allow the use of certain excess tax revenues that might be generated during the year, up to \$135 million.

This is now a matter to be sorted out by the Conference Committee of the General Assembly. Our concern is that delaying funds this year will increase the amount needed to fund the pension system in the future---- \$645 million by 2012 and up to \$10 billion by

2020. The current funding level will continue to fall below the anticipated 90%---- to 80% or even lower if the contribution is not made.

How do we prevent erosion of the system if this contribution isn't met by the General Assembly this year? I'm told that even with a great upswing in the economy, investments aren't likely to pull us out of the hole that will be dug if the ARC isn't funded.

We don't want the failure of the legislature to fund the system to fall back upon active employees and certainly don't feel increasing employees' contributions is the way to handle the shortfall.

Please give this rather "immediate" dilemma regarding Employer Contributions your attention as you finalize your recommendations this fall.

Thank you again for your willingness to hear from the public today and for your commitment to the future of the Retirement System.