

August 2, 2018

Item #15-B



North Carolina  
Total Retirement Plans

BRIEFING  
DRAFT

STATE TREASURER OF NORTH CAROLINA

DALE R. FOLWELL CPA

*Dale R. Folwell, CPA*



RETIREMENT SYSTEMS DIVISION

STEVEN C. TOOLE  
EXECUTIVE DIRECTOR

7/13/2018

93401 - FORSYTH COUNTY  
ATTN: CHIEF FINANCIAL OFFICER OR BUDGET ADMINISTRATOR  
201 N. CHESTNUT STREET  
WINSTON SALEM, NC 27101

Dear 93401 - FORSYTH 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,

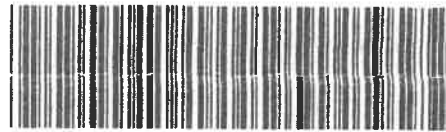
*Ron Chisolm Jr.*

Ron Chisolm Jr.  
Chief of Retirement Processing  
Retirement Systems Division

623 PENSPEK

93401 - FORSYTH COUNTY  
201 N CHESTNUT ST  
WINSTON SALEM NC 27101-4120

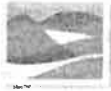
Download personalized forms and keep track of your personal retirement account information through ORBIT ([www.myncretirement.com](http://www.myncretirement.com)).



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1. 623 Pension Spike Letter
2. Pension Spiking Agency Report



**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
93401-FORSYTH COUNTY	573441	TATUM, RONDA D
	1008463	STANLEY, FRANK B
	1144235	WATTS JR JR, JACK D
	945414	MCGHINNIS, ANNA L
	874493	SLATER, ROBERT E
	1012888	ANDERSON, MICHAEL B

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

**Contribution Based Benefit Cap (CBBC)**

As of 07/23/18

Last Name	First Name	Department	Total Potential Liability *
Anderson	Michael B.	Parks & Recreation	None
McGhinnis	Anna L.	Emergency Services	None - Below AFC Min
Slater	Robert E.	Sheriff	None - Below AFC Min
Stanley	Frank B.	Sheriff	None
Tatum	Ronda D.	Manager's Office	None
Watts, Jr.	Jack D.	Manager's Office	None

*\* Total potential liability is only an estimate of the possible lump sum payment due after the employee retires to cover the unforeseen liabilities based on the employee's latest salary should the employee elect to retire in the next 12 months. See the fourth paragraph of the CBBC Letter. AFC Min is the threshold amount that triggers the liability requirement. If an employee's AFC is under this amount, no liability is incurred. The amount is currently \$104,973.81 and is adjusted annually for inflation.*