



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

JANET COWELL
TREASURER

STEVEN C. TOOLE
DIRECTOR

June 26, 2014

The Honorable Julia Howard
North Carolina House of Representatives
300 North Salisbury Street, Room 302
Raleigh, North Carolina 27603-5925

Dear Representative Howard:

The Department of State Treasurer is concerned that the current draft of Senate Bill 3, the new state budget bill does not meet the Annual Required Contribution (ARC) for the Teachers' and State Employees' Retirement System for Fiscal Year 2014-2015. The employer retirement contribution rates contained in Section 3.13.(b) of the Proposed Committee Substitute designated as S3-PCS35575-LR-46 are two hundredths percent below the amount necessary to fund the retirement system (for example, the rate for general employees is set at 15.36 percent and it should be 15.38 percent).

It appears to us that the problem with the provision may just be an oversight given that it is identical to the provision passed in the Senate Bill 744, the original state budget bill passed by the House on June 13. It may be useful to note that when that legislation passed the House, the ARC was two hundredths percent lower than the current requirement.

The ARC for the House increased on June 18 when the Chamber passed House Bill 1195. The Legislative Retirement Note from the Fiscal Research Division accompanying that bill indicated that the employer contribution rate would need to be two hundredths of a percent higher in order to accommodate the changes to the vesting period and the return of contributions policy.

We trust that you will be able to address this issue in a manner that is consistent with the State's policy objective to fully fund the ARC each year.

Sincerely,

A handwritten signature in black ink that reads "Steven C. Toole".

Steven C. Toole
Director