

JANET COWELL
TREASURER

STEVE TOOLE
RETIREMENT SYSTEMS DIRECTOR

January 16, 2016

TO: Members of the Local Board
FM: Sam Watts, Policy Director
RE: Notification of Local System Court Cost Offset to Employer
Contribution Rate for Law Enforcement Officers

Pursuant to N.C. General Statute 143-166.50(d), the Department of State Treasurer is required to use certain funds derived from court costs to offset employer contribution rates paid for law enforcement officers participating in the Local Governmental Employees' Retirement System (LGERS). The Department reviews receipts of these funds and updates the offset periodically. It was last adjusted in January 2014 beginning with fiscal year 2015 with the intention of leaving it stable through fiscal year 2017.

Scenario One: Board of Trustees Adopts the Recommended LGERS Employer Contribution Rate Stabilization Policy (ECRSP) on January 21, 2016

If approved by the Board of Trustees on January 21, the rate stabilization policy will provide that the law enforcement employer contribution rate will exceed the General Employer rate by 75 basis points each year. Under the policy, any COLA or rate adjustment greater than the COLAs that may be granted by the Board of Trustees for general employees should be similarly reflected in the law enforcement rate.

The Law Enforcement Rate for Fiscal Year 2017 with the ECRSP would be derived as follows:

Current Year Contribution Rate	ARC	7.15%
Increase in Contribution Rate		+0.85%
Contribution Rate for FY 2017		8.00%
Court Cost Offset		-0.14%
	SUB-TOTAL	7.86%
Death Benefit		+0.14%
Net Payable Contribution	TOTAL	8.00%

Scenario Two: Board of Trustees Does Not Adopt the Recommended LGERS Employer Contribution Rate Stabilization Policy on January 21, 2016

The December 31, 2014 valuation of LGERS, adjusted to reflect proposed assumptions from the experience study and the latest mortality projection scale, indicates that the Annual Required Contribution (ARC) is 7.09% of payroll for law enforcement officers. This represents a decrease of 0.06% from the current year contribution rate. The court cost offset for the 2017 Fiscal Year is -0.14% and the death benefit rate for law enforcement officers, which is a mandatory benefit, is 0.14%. Thus, the minimum net payable employer rate for law enforcement officers is 7.09%. Any COLA or rate adjustment greater than the minimum rate decided by the Board of Trustees for general employees should be similarly reflected in the law enforcement rate.

The Law Enforcement Rate for Fiscal Year 2017 without the ECRSP would be derived as follows:

Current Year Contribution Rate	ARC	7.15%
Decrease in Contribution Rate		-0.06%
Contribution Rate for FY 2017		7.09%
Court Cost Offset		-0.14%
	SUB-TOTAL	6.95%
Death Benefit		+0.14%
Net Payable Contribution	TOTAL	7.09%