LEGISLATIVE RESEARCH COMMISSION

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REPORT
TO THE
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GENERAL ASSEMBLY OF NORTH CAROLINA
SECOND SESSION 1978

POLICE AND FIREMEN'S RETIREMENT

RALEIGH, NORTH CAROLINA

STATE OF NORTH CAROLINA
LEGISLATIVE RESEARCH COMMISSION
STATE LEGISLATIVE BUILDING
RALEIGH 27611

May 26, 1978

TO THE MEMBERS OF THE 1978 GENERAL ASSEMBLY:

Transmitted herewith is the Report on Police and Firemen's Retirement prepared by the Legislative Research Commission's Committee on Public School Employees' Salaries and Other Matters. The study was conducted pursuant to Chapter 972 of the 1977 Session Laws (First Session, 1977).

The Legislative Research Commission transmits this Report to the members of the 1978 General Assembly with the recommendation that no legislative action be taken during the 1978 Session on Legislative Proposal II in Appendix T and related recommendations which concern the funding of the Law Enforcement Officers' Benefit and Retirement Fund and the increase in benefits to members under that Fund.

Respectfully submitted,

Carl J. Stewart, Jr.

John T. Henley

Co-Chairmen

LEGISLATIVE RESEARCH COMMISSION

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INTRODUCTION

The Legislative Research Commission, authorized by Article 6B of Chapter 120 of the North Carolina General Statutes (G.S.), is a general-purpose legislative study group. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly or of either of its houses,

> such studies of and investigations into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner [G.S. 120-30.17(1)].

A list of the membership of the Legislative Research Commission will be found in Appendix A.

During the 1977 Session of the General Assembly the Legislative Research Commission was directed to conduct a variety of studies. Chapter 972 of the 1977 Session Laws (First Session, 1977), see Appendix B, mandated a study of public school employees' salaries and the financing, benefits and operations of the Law Enforcement Officers' Benefit and Retirement Fund and the Firemen's Pension Fund (hereafter referred to as LEOBRF and FPF, respectively). To aid in these studies, the Co-Chairmen of the Legislative Research Commission, under the authority of G.S. 120-30.10(b), appointed a Committee on Public School Employees' Salaries and Other Matters (hereafter referred to as the "Committee"), consisting of additional members of the General Assembly.

Representative Lura S. Tally was appointed to be the Legislative Research Commission member in charge of this study, while Representative Jo Graham Foster and Senator Harold W. Hardison were appointed Co-Chairmen of the Committee. The other members of the Committee were Representatives Howard B. Chapin, James H. Edwards, W. Casper Holroyd, Jr.,* and Hector E.

Ray; and Senators T. Cass Ballenger, I. C. Crawford, Kenneth C. Royall, Jr., and D. Livingstone Stallings.

Because the topics directed to be studied by Chapter 972 are dissimilar, the Committee at its October 13, 1977, meeting decided to divide itself into two subcommittees -- one for public school employees' salaries and the other for police and firemen's retirement. The Subcommittee on Police and Firemen's Retirement consisted of the following individuals: Senator Hardison, Chairman; Senators Ballenger and Crawford; and Representatives Holroyd* and Ray. The rest of this report will devote itself solely to the proceedings of the Subcommittee on Police and Firemen's Retirement.

* Representative Holroyd replaced the original appointee, former Representative Richard C. Erwin, who resigned on January 3, 1978.

COMMITTEE PROCEEDINGS

The Subcommittee on Police and Firemen's Retirement held three meetings to investigate the financing, benefits, and operations of the Law Enforcement Officers' Benefit and Retirement Fund and the Firemen's Pension Fund as was directed by Section 4 of Chapter 972 of the 1977 Session Laws (First Session, 1977).

Among the witnesses appearing at the Subcommittee's meetings were the State Auditor, the Honorable Henry L. Bridges; the Executive Secretary of the Law Enforcement Officers' Benefit and Retirement Fund, Mr. Henry G. McFayden; the State Treasurer, the Honorable Harlan E. Boyles; the Director of the Retirement and Health Benefits Division of the Department of State Treasurer, Mr. William H. Hambleton; a representative of the two retirement systems' actuary; representatives of policemen's and firemen's associations; and individual policemen and firemen. A complete list of the witnesses appearing before the Subcommittee on Police and Firemen's Retirement will be found in Appendix C.

The members of the Board of Trustees of the FPF and of the Board of Commissioners of the LEOBRF, as well as representatives of various policemen's and firemen's organizations were invited to attend and were notified of the meetings of this Subcommittee.

Staff for the Subcommittee was supplied by the Fiscal Research and General Research Divisions of the Legislative Services Office.

The Subcommittee also employed an independent actuary, Charles R. Dilts Associates of Durham, to evaluate both of the systems to be studied and to propose modifications to each consistent with sound pension and retirement policy. His reports are attached as Appendices D and E.

Firemen's Pension Fund (FPF)

The Honorable Henry L. Bridges, State Auditor and ex-officio chairman of the Board of Trustees of the Firemen's Pension Fund, upon the invitation of the Subcommittee, appeared at the initial meeting of the Subcommittee. He had been asked to appear and give a general introduction to the history, financing, benefits, and operation of the Firemen's Pension Fund. His presentation appears at Appendix F.

The State Auditor was also asked to give the Subcommittee specific information on the structure and financial situation of the FPF on forms supplied by the Subcommittee. The form on the Fund's structure is found at Appendix G.

Appendix H contains the form on the financial condition of the FPF, giving number of members -- not receiving benefits, receiving benefits, and the total membership; contributions -- by employees in dollars, by rate, by State appropriations, and total contributions; investments -- total investments, earnings on investments, and earnings on investments as a percentage of total investments; total assets; and disbursements -- pension payments, refunds, interest credited to members' accounts, cost of administration, and total payments. The figures are given for the 1964-1965 through 1975-1976 fiscal years, and estimates are provided for the 1976-1977 through 1979-1980 fiscal years.

From the data given by the Department of the State Auditor, and by other witnesses, and discussion by the Subcommittee, the following information about the Firemen's Pension Fund emerged.

Operations

The Firemen's Pension Fund is authorized by Article 3 of Chapter 118 of the General Statutes, General Statutes (G.S.) 118-18 through

118-32 (see Appendix I). The General Assembly's purpose in creating the FPF was to provide pensions and other benefits to "eligible" firemen and thus to achieve certain ends, among which are to protect life and all property against loss and damage by fire, to improve fire fighting techniques, to foster training of firefighting personnel, to establish new firefighting units and to recognize the public service rendered to the State and its citizens by "eligible firemen" (G.S. 118-18).

The FPF is governed by a board of trustees which consists of five members, the State Auditor, the State Insurance Commissioner, and three gubernatorial appointees -- a paid fireman, a volunteer fireman, and an individual representing the public at large (G.S. 118-19). The State Auditor is the ex-officio chairman of the board of trustees.

A secretary is appointed by the Board to serve as the administrator of the Firemen's Pension Fund (G.S. 118-20). The FPF is administered under the direction and supervision of the Department of State Auditor (G.S. 143A-27).

Transfer of Management Functions

During its deliberations, the Subcommittee addressed itself to the question of the wisdom of transferring by a "type II" transfer the management of the FPF from the Department of the State Auditor to that of the State Treasurer. Type II transfers are defined in G.S. 143A-6(b) found in Appendix J. This inquiry had been directed by Section 4(2) of the act authorizing this study. Mr. Bridges, the State Auditor, told the Subcommittee that he opposed the transfer. He presented a statement to the Subcommittee at its November 2, 1977, meeting of Mr. Horace Moore, Chairman of the Legislative Committee of the North Carolina State

Firemen's Association that that Association opposed the transfer.

Mr. Harlan E. Boyles, the State Treasurer, by letter informed the Subcommittee that his department

> would accept the responsibility and challenge of the transfer should the Subcommittee in its wisdom elect to recommend the transfer by legislative enactment [Appendix K].

Upon the direction of the Subcommittee, the Subcommittee's actuary, Mr. Charles R. Dilts, reviewed the question of transfer in his report. Mr. Dilts recommended that the transfer be made. The reasons he gave for his recommendation are found at page D-18 of Appendix D.

Mr. W. H. Copley of Durham, a retired fireman, noted the differences in benefits between the LEOBRF and the FPF and stated that he approved the transfer of both systems as a means of eliminating the inequality of benefits.

Financing

As first established in 1957, the pensions granted under the Firemen's Pension Fund were to be funded by monthly contributions from members and by a 1% tax on fire and lightning insurance contract premiums, except on those contracts issued by farmers mutual fire insurance associations (Chapter 1420 of the 1957 Session Laws). The North Carolina Supreme Court in Assurance Co. v Gold, 249 N.C. 461 (1959), declared that the act was unconstitutional in that the exception for farmers mutual fire insurance associations violated the requirement in the then State's Constitution that "taxes on property . . . be uniform as to each class of property taxed" (similar language is contained in Article V, Section 2(2) of the present Constitution). See also 38 N.C. L. Rev. 192 (1960).

The General Assembly by Chapter 1212 of the 1959 Session Laws reenacted the Firemen's Pension Fund without the premium tax provisions. The premium provisions of the 1957 act, without the exclusion found constitutionally objectionable in Gold, and a State appropriation from the General Fund were passed in separate acts in 1959 (Chapters 1211 and 1273, respectively). The premium tax provision is codified in G.S. 105-228.5.

The act reenacting the Firemen's Pension Fund did contain provisions tying the State appropriations to the FPF to the premium tax to be collected (Section 1 (§ 118-22) and Section 2 of Chapter 1212). This tie-in language was deleted by Chapter 980 of the 1961 Session Laws. The tie-in was later found unconstitutional in Insurance Co. v Johnson, 257 N.C. 367 (1962).

The State Auditor informed the Committee that:

> The concept was firmly established by the Legislature that the revenue produced by the tax was to be put in the general fund, but that an appropriation in the amount closely equal to the amount of revenue produced by the tax would be appropriated for the support of the Firemen's Pension Fund. [See Appendix F]

Appendix L compares the collections from the one percent tax on fire insurance premiums to the State appropriations for the fiscal years 1961-1962 through 1976-1977.

Presently, the costs of administering the Fund and in providing pensions to members are borne by appropriations from the General Fund of the State and by monthly contributions by members (see pages H-4 and H-5 of Appendix H). However, the State Treasurer is the custodian of the FPF and invests the Fund's moneys under the authority of G.S. 118-22.

Eligible firemen who are members are required to contribute five dollars each month to the fund until retirement or for 20 years, whichever occurs earlier, in order to participate in the benefits of the FPF (G.S. 118-25). Those eligible to participate in the FPF are firemen belonging to a State or local governmental unit's fire department which has achieved a set minimum rating by the Department of Insurance, has equipment which exceeds five thousand dollars ($5,000) in value, and holds a minimum number of hours of drills and meetings for its members. Volunteer firemen whose units meet minimum requirements are also eligible to participate in the FPF (G.S. 118-23).

The State Auditor in his initial presentation to the Subcommittee noted that areas of the State protected by rated fire departments pay less in fire premiums than those areas which are not. Mr. Bridges stated that the fact that firemen's eligibility for membership in the FPF depends to a great extent on the Insurance Department's rating of his fire unit has provided a major impetus for the increase in the number of "rated" departments from 400 when the Fund was established to the present 1,030. He opined that the establishment of the FPF has benefited all the citizens of the State.

The State Auditor informed the Subcommittee that the FPF was on an actuarially sound basis.

The report of the actuary employed by the Subcommittee to evaluate the FPF is found at Appendix D.

Benefits

--normal pension

G.S. 118-25 sets forth the benefits for members of the system. The normal pension of $50 per month is payable to any member of the FPF who has served as a fireman in the State for 20 years, has been an "eligible fireman" for 2 years preceding his application for a pension, and who has attained 55 years of age. Until action by the 1977 General Assembly, the full $50 monthly pension was not payable unless the member retired at age 60. Those retiring at a pension of less than $50 a month had the pension increased to that amount (1977 S.L., c. 926).

--disability pension

The same 1977 law provided for a disability pension for members. The disability pension of $50 a month is payable to a member, beginning at age 55, who is totally and permanently disabled in the course of his official duties and who leaves fire service because of the disability. The requirement of continuing the member's $5-a-month contribution until age 55 is waived for these disabled members.

--pensions additional to other benefits

G.S. 118-25 specifically states that the pensions provided under the FPF shall be in addition to any other pensions provided under State or Federal law.

--refunds

The board of trustees is directed to refund all or part of the employee's contributions in the following instances:

Where the member has attained 55 years of age and is ineligible to receive a pension;

Where a member dies before attaining 55 years of age and before receiving a pension;

Where a member dies after receiving one or more pension payments, but before receiving the amount of his accumulated contributions to the FPF; and

Where a member withdraws from the fund and applies for a refund of contributions. (G.S. 118-26)

Law Enforcement Officers' Benefit and Retirement Fund (LEOBRF)

The Honorable Henry L. Bridges, State Auditor and ex-officio Chairman of the Board of Commissioners of the Law Enforcement Officers' Benefit and Retirement Fund, upon the invitation of the Subcommittee, appeared at the initial meeting of the Subcommittee. He had been asked to appear and give a general introduction to the history, financing, benefits and operation of the LEOBRF. His presentation appears at Appendix M.

The State Auditor was also asked to give the Subcommittee specific information on the structure and financial situation of the LEOBRF on forms supplied by the Subcommittee. The form on the Fund's structure is found at Appendix N.

Appendix O contains the form on the financial condition of the LEOBRF, giving members -- not receiving benefits, receiving benefits, and the total membership; contributions -- by employees in dollars, by rate, by State agencies, by local governmental units, by general, highway and wildlife fund appropriations, by court costs and the total contributions; investments -- total investments, earnings on investments, and earnings on investments as a percentage of total investments; total assets; and disbursements -- retirement benefits, refunds, interest credited to members' accounts, cost of administration and total payments. The figures are given for the 1964-1965 through 1975-1976 fiscal years, and estimates are provided for the 1976-1977 through 1979-1980 fiscal years.

From the data given by the Department of State Auditor, and by other witnesses, and discussions by the Subcommittee, the following information about the LEOBRF emerged.

Operations

The Law Enforcement Officers' Benefit and Retirement Fund, created in 1937, is authorized by G.S. 143-166 (Appendix P).

The LEOBRF and the Separate Benefit Fund, discussed below, are governed by a Board of Commissioners. The Board of Commissioners consists of seven individuals: Three ex-officio members -- the State Auditor, the State Treasurer, and the State Insurance Commissioner; and four gubernatorial appointees -- a sheriff, two law enforcement officers, and an individual representing the public's interest. The State Auditor is the ex-officio Chairman of the Board (G.S. 143-166(b)).

The LEOBRF is administered under the direction and supervision of the Department of State Auditor (G.S. 143A-28).

Unlike many of the other State-administered retirement systems, for the most part the benefit structure of LEOBRF is not set out in the statutes. G.S. 143-166 gives the Board of Commissioners great discretion in the formulation of the benefits and in the operation of LEOBRF. Citations below to the NCAC refer to the provisions of the North Carolina Administrative Code adopted pursuant to the authority contained in G.S. 143-166.

Transfer of Management Functions

During its deliberations, the Subcommittee addressed itself to the question of the wisdom of transferring by a "type II" transfer the management of the LEOBRF from the Department of State Auditor to that of the State Treasurer. Type II transfers are defined in G.S. 143A-6(b) found in Appendix J. This inquiry had been directed by Section 4(2) of the act authorizing this study.

Mr. Henry L. Bridges, the State Auditor, told the Subcommittee that he would have no objection to transferring the management functions of LEOBRF from his Department to that of the State Treasurer (Appendix M).

Mr. Harlan E. Boyles, the State Treasurer, by letter informed the Subcommittee that his Department

> . . . would accept the responsibility and challenge of the transfer should the Subcommittee in its wisdom elect to recommend the transfer by legislative enactment [Appendix K].

Upon the direction of the Subcommittee, the Subcommittee's actuary, Mr. Charles R. Dilts, reviewed the question of the transfer in his report. Mr. Dilts recommended that the transfer be made

> . . . in order to offer opportunities for better service to the participants, for centralized record-keeping and the elimination of duplication, and for coordination with other benefit plans [Appendix D, page D-11].

Financing

The systems of benefits and financing of LEOBRF have been augmented in a series of amendments since the LEOBRF's creation in 1937. There are three major financing components of the retirement system administered by the Board of Commissioners of the Law Enforcement Officers' Benefit and Retirement Fund. These relate to the financing of basic benefits, special annuities, and benefits under the Separate Benefit Fund.

The report of the actuary employed by the Subcommittee to evaluate the LEOBRF is found at Appendix D.

--basic benefits

The basic benefits of the LEOBRF -- the basic service and disability retirement allowances, the separation allowances, and the accidental death benefit -- are funded from three sources. The employee-member must contribute 6% of his compensation to the Fund (G.S. 143-166(i)).

The members' contributions in dollars are found on page O-3 of Appendix O. The second source of funding of the "basic benefits" is from the imposition of $3 in court costs in each criminal trial in which a defendant is adjudged guilty. Two dollars ($2) from each of these cases are transmitted to the State Treasurer to fund the "basic benefits" available to members of LEOBRF (G.S. 143-166(a)). The remaining $1 of the court costs in these cases goes to fund the benefits in the Separate Benefit Fund discussed below. The contributions to the LEOBRF from court costs are found on page O-4 of Appendix O.

The third source of funding -- appropriations by the State Legislature from the general, highway and wildlife funds -- has been a comparatively recent development. Appendix O, page O-4, illustrates that these appropriations began on a regular basis only in the 1973-1974 fiscal year. These appropriations were made necessary by the significantly higher level of benefits implemented on July 1, 1973, by the General Assembly. Mr. Charles R. Dilts, the Subcommittee's actuary, confirmed the estimates of the LEOBRF's actuary that the "employer cost", that is, the cost which is financed by highway, wildlife, and general fund appropriations will continue to grow for the foreseeable future. The actuaries estimate that the employer's cost for the present benefits for the 1977-1978 fiscal year -- $4,696,600 -- will grow to $5,697,518 for the 1979-1980 fiscal year (Appendix Q).

Local governmental units which employ members of the LEOBRF make no contributions toward the financing of the LEOBRF "basic benefits" of their member employees.

Mr. Bridges, ex-officio chairman of LEOBRF, warned the Subcommittee that:

If some permanent type of financing is not immediately provided,

> I strongly feel that the legislature should resume its funding of our present requirements that are not covered by members' contributions, earnings on investments, and court costs. This feeling is based on my belief that North Carolina cannot afford to allow the retirement benefits that it provided for law enforcement officers in 1973 to become jeopardized [Appendix M].

Section 4(1), Chapter 972 of the 1977 Session Laws, which authorized the Subcommittee's study, directed that the adequacy of contribution be investigated and that "a permanent plan" to require employers to contribute to the financing of the basic benefits under the LEOBRF be formulated. In response to that mandate, the Committee employed its actuary, Mr. Dilts, to investigate the savings to the State and the costs to local governmental units of requiring all employers, both State and local governmental units, to contribute to the funding of the basic benefits of its employee-members of LEOBRF. Mr. Dilts proposed two methods of accomplishing the end suggested by the Subcommittee. Mr. Dilts' responses to the Subcommittee are contained in Appendices D and E.

Mr. Dilts' first suggestion was that both the State and the local governmental units be required to contribute a fixed percentage of the payroll of each's member-employee to fund the employer's cost of the basic benefits. The percentage of payroll factor would be the same for each employer. The employers' cost was determined using the present benefit structure and assuming that the present court cost contribution plan and employees' contribution rate continues.

Mr. Dilts' second suggestion was like the first in requiring a fixed rate of contribution by each employer based upon a percent of payroll of employee-members. Mr. Dilts suggested that instead of basing the employer's contribution rate on the present level of benefits under LEOBRF that the benefits be increased to more nearly parallel those available under the big local government system -- Local Governmental Employees' Retirement System -- and that the employer's contribution rate be figured on the increased level of benefits (see in particular Appendix E).

Mr. R. A. Pruett, representing the Council of Law Enforcement Officers' Association, appeared before the Subcommittee and stressed the concern of his association that the retirement benefits of those presently in the system be protected. He suggested that the Subcommittee consider recommending that the General Assembly impose an additional $2 charge on each motor vehicle license plate issued. The revenue derived from this charge would be transferred to LEOBRF to fund the basic benefits (Appendix R).

Another issue the Subcommittee investigated was on the question of applying the "excess" interest earned on the LEOBRF's investments to meet part of the contributions required to keep the fund on an actuarially sound basis. The 33rd Annual Valuation Report of the LEOBRF, prepared by George B. Buck, indicated that

> It is our understanding that the net State contribution which has been included in the 1977-78 budget is significantly less than the net amount . . . [required] because of the application of "excess interest" as an offset to the required contribution. The use of "excess interest" to meet part of the required contribution is not in accordance with current generally accepted actuarial practice. The procedure would not meet the requirements of the Federal Pension Reform Act (ERISA) and, if continued, will lead to the deterioration of the soundness of the Fund and grossly understate the long term cost of the benefits [p. 16].

Mr. Dilts, in responding to an inquiry of the Subcommittee on this matter, stated:

> It is significant to note that . . . [ERISA] requires the utilization of reasonable and realistic valuation assumptions. The actuarial gain in the LEOBRF Fund clearly indicated that a 5% valuation interest rate was low and that in combination the valuation assumptions would produce a substantial actuarial gain [Appendix S].

--special annuities

Both the employee-member and his employer may pay into a special account each year an amount not to exceed for the employee 15% of his compensation. The State has a duty to contribute 5% of the compensation of each law enforcement officer it employs (G.S. 143-166(i)). Until 1977, the State only had to match its employee's contribution into the special account (Section 1 of Chapter 1090 of the 1977 Session Laws).

At retirement the monies in the employee's special account are used to provide him with a special annuity which is additional to the basic benefits to which he is entitled under LEOBRF.

The voluntary contribution by a local government unit for special annuities for its law enforcement officer members is the only contribution to the LEOBRF which that unit makes.

--separate benefit fund

The Separate Benefit Fund (SBF) is a fund providing death benefits and group accident and hospital insurance to law enforcement officer-participants. The benefits of the SBF are discussed more fully under the Benefits section of this report.

The SBF is not a part of the Law Enforcement Officers' Benefit and Retirement Fund, although the SBF is administered under the direction and rules of LEOBRF.

One dollar of the $3 court costs imposed on criminal trials under G.S. 143-166(a) is paid to the State Treasurer to fund the benefits available under the SBF (G.S. 143-166(r)).

Benefits

--normal retirement

Members of the Law Enforcement Officers' Benefit and Retirement Fund are eligible for a basic service retirement allowance upon obtaining 10 years of membership service and attaining 55 years of age, or obtaining 30 years of creditable service regardless of age (3 NCAC 2.0508(e) and (f)). A member eligible for normal retirement receives as a basic service retirement allowance an annual amount equal to 1.55% of his average final compensation multiplied by his number of years of creditable service.

Average final compensation is defined by G.S. 143-166(y) to be

> the average annual compensation of a member during the four consecutive years of membership service (48 consecutive employment months) that produce the highest annual compensation.

Membership service includes not only service in the LEOBRF but also service as a member of the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System if this service is transferred to the LEOBRF (3 NCAC 2.0201(11)).

Creditable service includes membership service and prior military service (3 NCAC 2.0201(13) and 2.0507).

--early retirement

A member of the LEOBRF still in service may retire at age 50 if he has 15 or more years of creditable service. That retiree will receive a retirement allowance figured on the basic service retirement allowance formula above reduced by one-third of one percent for each month which his retirement precedes his 55th birthday (G.S. 143-166(y)). There is, of course, no reduction for those members retiring with 30 or more years of creditable service as they are eligible for normal retirement.

--disability retirement

A disability retirement allowance is provided to any member in service who has 10 or more years of creditable service, at least 5 of which are membership service, and who is totally and permanently incapacitated for duty; or to any member in service who has completed 1 year of membership service and who is totally and permanently incapacitated for duty in the performance of his duties (3 NCAC 2.0509).

The basic disability allowance is set at 1.55% of average final compensation multiplied by the number of years of creditable service the member would have had if he had remained in service until age 55 (G.S. 143-166(y)).

--deferred retirement allowance and vesting of the right to retire

Any individual who is no longer a law enforcement officer who has 10 or more years of membership service and who leaves his accumulated contributions in the Fund may retire at age 55. Any individual who is no longer a law enforcement officer, who has 15 or more years of creditable service, may retire at age 50 (G.S. 143-166(j)).

The deferred retirement allowance granted to one of these qualified individuals equals 1.55% of the annual final compensation multiplied by the years of creditable service reduced by one-third of one percent for each month the individual's retirement precedes his 55th birthday (3 NCAC 2.0508(c)).

--maximum retirement allowance

3 NCAC 2.0512(b) provides that:

> [T]he total annual retirement allowance payable to any member shall not exceed 75 percent of his average final compensation.

--options in lieu of maximum allowance

Upon normal service, disability, or early retirement, the retiree may select either the maximum allowance outlined above which ceases at his death or one of two optional plans (3 NCAC 2.0513(a)).

--survivor's alternate benefit

Normally upon the death in service of a member of either system a return of that member's contributions, plus accrued interest, is made to a person designated beforehand by the deceased member (3 NCAC 2.0505 and 2.0506). However, if, when he died in service, the member was 50 years old or older and had 15 or more years of service, or was 55 years old or older and had 10 or more years of service, the designated beneficiary may elect to receive a monthly benefit for life instead of the return of the member's accumulated contributions (3 NCAC 2.0513(b)).

--death benefits

There are two death benefits administered by the Board of Commissioners of the Law Enforcement Officers' Benefit and Retirement Fund.

An accidental death benefit is payable to the survivors of any law enforcement officer, whether or not a member of LEOBRF, whose death resulted from and within one year of an accident occurring in the performance of the officer's duty. The accidental death benefit is subject to a maximum of $2,100, $1,000 of which is designated "a partial reimbursement of burial expense" (3 NCAC 2.0516).

A separate death benefit of either $5,000 or $3,000 is payable to the designated beneficiary of a law enforcement officer who participates in the Separate Benefit Fund (SBF). This death benefit is discussed more fully below in the part of this report entitled "--separate benefit fund".

--cost-of-living adjustments

While there is no continuing mechanism for making adjustments to the benefits received under LEOBRF, a one-time increase of 5% was granted to those receiving benefits from the Fund as of June 30, 1977 (G.S. 143-166(x)).

--action by the 1977 General Assembly

Chapter 1090 of the 1977 Session Laws (First Session, 1977) made major changes in the benefits contained in LEOBRF. Among the changes made were the following:

(1) The percentage factor for determining the allowances under LEOBRF was raised from 1.5% to 1.55%;

(2) The factor concerning years to determine average compensation in the formulas was lowered from five to four years;

(3) Retirement was permitted after thirty (30) years of creditable service regardless of age;

(4) Years of service requirements to qualify for allowance were lowered; and

(5) A cost-of-living increase of 5% was awarded to all persons receiving benefits as of June 30, 1977.

--special retirement allowance

As has been noted before under the part of this report dealing with financing of LEOBRF, both employers of members and the members themselves may contribute each year to a separate account for the members a sum not to exceed 15% of the member's annual compensation (G.S. 143-166(i)). Upon retirement the member receives, in addition to his basic service or disability allowance, a special retirement allowance which is the actuarial equivalent of his special contributions, his employer's special contributions, and the accumulated interest on these contributions.

--separate benefit fund

The Separate Benefit Fund (SBF) provides to law enforcement officer-participants a death benefit and accident and hospital insurance (G.S. 143-166(r) through (v)). The benefits are funded by the imposition of $1 court costs (G.S. 143-166(r)).

Any law enforcement officer who has not yet attained 55 years of age may participate in the benefits of the Separate Benefit Fund (3 NCAC 2.0601). A law enforcement officer may continue to participate in the benefits of the SBF after retirement from service in the following instances:

1. The retired officer has 20 or more years of creditable service (3 NCAC 2.0601(d));

2. As long as the incapacity continues in the instance of an officer retired on account of:

(a) a disability occuring during the course of his duties (3 NCAC 2.0601(e)); and

(b) an ordinary disability with 10 or more years of creditable service (3 NCAC 2.0601(f)); or

3. A participant who has from 1 to 10 years of creditable service whose employment is ended because of an ordinary disability and who dies within one year of the date of his retirement (3 NCAC 2.0601(g)).

The Separate Benefit Fund pays a death benefit of $5,000 to the designated beneficiary of an active participant and $3,000 to the designated beneficiary of a retired participant if the deceased officer died as a result of an accident or had been a participant for at least 6 months (3 NCAC 2.0602(a)).

The SBF also pays for a group insurance policy covering accident and hospital benefits for participants (3 NCAC 2.0602(c)).

FINDINGS AND RECOMMENDATIONS

Pursuant to Section 4 of Chapter 972 of the 1977 Session Laws (First Session, 1977), the Subcommittee on Police and Firemen's Retirement of the Legislative Research Commission's Committee on Public School Employees' Salaries and Other Matters, after having carefully reviewed the information brought before it, makes the following findings and recommends the following courses of action:

The Firemen's Pension Fund

Finding 1. The Firemen's Pension Fund is an actuarially sound, well-administered retirement system which has benefited both its members and the citizens of the State as a whole. The State Auditor has informed the Subcommittee of the FPF's financial stability. Both the actuary of the FPF and the one employed by the Subcommittee itself confirmed the State Auditor's statement. Both actuaries recommended no changes in the financing of the system.

The FPF has benefited its members by providing eligible members with a pension for the faithful service they have rendered to their fellow citizens. The FPF has benefited the citizens of the State by providing a major push to the establishment of "rated" fire departments throughout the State.

Recommendation 1. The funding and benefits of the Firemen's Pension Fund should not now be altered.

Recommendation 2. The management functions of the Firemen's Pension Fund should not now be transferred from the Department of State Auditor.

The State Auditor and a major firemen's association expressed opposition to such a move.

While the Subcommittee believes that advantages will accrue from the unification of all retirement funds under one State agency, it does not recommend that the Firemen's Pension Fund be transferred at this time in view of the recommended transfer of LEOBRF and implementation of the recommended changes in LEOBRF, the larger of the two systems studied, discussed below.

<u>The Law Enforcement Officers' Benefit and Retirement Fund</u>

Finding 1. <u>A transfer of the management functions of the Law Enforcement Officers' Benefit and Retirement Fund to the Department of State Treasurer would benefit the citizens of the State as well as the members of that Fund.</u> That transfer would result in the housing of the management functions of nearly every State-administered public employee retirement system within one State agency. Mr. Charles Dilts, the Subcommittee's actuary, recommended this transfer so as

> to offer opportunities for better service to the participants, for centralized record keeping and elimination of duplication and for coordination with other benefit plans.

The State Auditor informed the Subcommittee that he would not object to this action. The State Treasurer stated that he sees and appreciates

> many of the advantages and economies that may result in the consolidation of the management of the various retirement programs sponsored by State and local government [Appendix K].

Recommendation 1. <u>The management functions of the Law Enforcement Officers' Benefit and Retirement Fund should be transferred to the Department of State Treasurer from the Department of State Auditor by a "type II transfer"</u>. A type II transfer is defined in G.S. 143A-6(b) found in Appendix J. The Committee's recommendation is contained in Legislative Proposal I in Appendix T. Section 3 of the Legislative Proposal I would retain the State Auditor on the Board of Commissioners of LEOBRF, but would substitute the State Treasurer as Chairman of that Board.

The bill would take effect on July 1, 1978 (Section 4). Both the State Auditor and State Treasurer agreed that the transfer on that date could be accomplished with relative ease.

Finding 2. The eligibility requirements and benefits contained in the Law Enforcement Officers' Benefit and Retirement Fund differ significantly from the eligibility requirements and benefits under the major State-administered retirement systems, in particular, the Local Governmental Employees' Retirement System (hereafter referred to as LGERS). Perhaps the major difference is that under the LEOBRF the "normal retirement age" for unreduced retirement without 30 years of creditable service is 55 years of age, while under the LGERS the "normal retirement age" is 65. Among the other differences are that under LGERS any member in service at the "normal retirement age" may retire, while LEOBRF requires its members in service to have accrued a minimum number of years of creditable service under the Fund to be eligible for retirement at the "normal retirement age" set for LEOBRF. Differences also exist regarding the required number of years of creditable service which must be obtained to be eligible for a non-occupational disability allowance and for a deferred retirement allowance under the two systems. Also, the LGERS has a provision for the granting of cost-of-living allowances while the LEOBRF does not.

Recommendation 2. The General Assembly should conform the eligibility requirements and benefits contained in the Law Enforcement Officers' Benefit and Retirement Fund to those under the Local Governmental Employees' Retirement System, while continuing to recognize the generally-accepted lower retirement age for law enforcement officers. Throughout the United States, the general retirement age for law enforcement officers is 55. The Committee was informed that the federal government mandates the retirement of its police at that age. The LEOBRF's benefits are predicated generally on its members retiring at age 55. The Local Governmental Employees' Retirement System is based upon a normal retirement age of 65.

One of the rationales for the lower retirement age for law enforcement officers is that police work is so physically and mentally demanding that an early retirement is necessary to keep a police force up to the challenges it faces. The Committee does not suggest changing this age differential between the two systems.

The Committee also recognizes that at present the LEOBRF has a higher percentage factor of 1.55% of average final compensation used in determining benefits than does the LGERS percentage factor of 1.5%. The Committee has been informed that the 1978 General Assembly will be presented with a proposal to raise this factor to 1.55% in the LGERS.

However, the Committee, following the proposal of its actuary, recommends that the other factors in the eligibility requirements and the benefits contained in the LEOBRF be made as nearly parallel to those in the LGERS as possible. The Committee's proposal is contained in Legislative Proposal II in Appendix T.

The following specific changes are recommended for enactment:

1. The requirement of 10 years of creditable service for an inactive member of LEOBRF to retire at age 55 should be reduced to 5 years (Section 2 of Legislative Proposal II). G.S. 128-24(5)a. contains the inactive member's retirement provision in the LGERS.
2. Authority should be given the Board of Commissioners of LEOBRF to provide a cost-of-living increase to those already

receiving benefits not to exceed 4% in any one year and to be limited to 50% of the annual actuarial gains of the system (Section 4 of Legislative Proposal II). See G.S. 128-27(k) for the like provisions of LGERS.

The Committee felt that any cost-of-living increases should not take into account all the actuarial gains in the system, unlike the LGERS. Under the Committee's proposals, half of the actuarial gains, if any, could be used for other purposes, for example, to increase active members' benefit formulas, to decrease employers' and employees' contribution rates, or to reduce the period to eliminate the accrued liability of the system.

3. The present requirement of 10 years of membership service in LEOBRF to be able to retire from service at age 55 should be eliminated (Section 5 of Legislative Proposal II). Under the LGERS, a member in service may retire upon attaining the normal retirement age regardless of his years of service (G.S. 128-27(b5)(1)).

4. The requirement of 10 years of creditable service for non-occupational disability retirement should be dropped to 5 years (Section 4 of Legislative Proposal II). G.S. 128-27(c) contains the LGERS' provisions as to creditable service requirement for this type of disability retirement.

5. Members of the LEOBRF should be eligible for a death benefit similar to that granted members of LGERS (G.S. 128-27(b)). Section 6 of Legislative Proposal II sets forth the Committee's recommendation. Although at present LGERS' members only have a death benefit of a maximum of $15,000, the Committee has

been informed that a strong move will be made to increase that benefit to $20,000 during the 1978 Session of the General Assembly to make the LGERS death benefit correspond to that under the Teachers' and State Employees' Retirement System (G.S. 135-5(1)). The Committee, in view of this proposed change, recommends that a death benefit be granted under LEOBRF equal to the member's last annual compensation, not to exceed $20,000, reduced by the amount of the death benefit awarded under the Separate Benefit Fund.

Finding 3. The employers' cost of funding the basic benefits of LEOBRF's members will continue to rise for the foreseeable future. The LEOBRF's actuary estimated that, based on a 25-year period to eliminate unfunded accrued liabilities, the employers' cost, less contributions from court costs, of funding the basic benefits of the system would rise from $3,246,600 in fiscal year 1977-1978 to $4,247,518 in fiscal year 1979-1980 (Appendix U, page U-6). The total employers' costs are now being assumed completely by the State, either in the form of court costs or the financially more important outright appropriations.

The rise in employers' costs can be traced directly from the increases in benefits of LEOBRF members granted by the General Assembly since 1973.

Recommendation 3. Local governmental units employing members of the LEOBRF should be required to contribute to the funding of basic benefits of their employees. The Committee focused its study on the funding of basic benefits in the LEOBRF and did not address itself to the funding of either the special annuities or the Separate Benefit Fund.

Units of local government which are members of the Local Governmental Employees' Retirement System are required to make contributions to fund the benefits of that system (G.S. 128-30(d)(1)). Mr. Henry McFayden told the Subcommittee that he estimates that of 2,600 law enforcement officers who were members of the LGERS and who, by recent enactment, were permitted to transfer membership to LEOBRF, only 1,600, or approximately 60%, actually did. The employer costs of retirement benefits of the 1,000, or approximately 40%, law enforcement officers who did not are still being funded by individual local governmental units, while the employers' costs of the basic benefits of those who made the transfer have been entirely assumed by the State.

The Committee believes this inequitable treatment of local governmental units should be reduced and that each employer should make some payment for the basic retirement benefits of its employees. The Committee's recommendation is contained in Section 1 of Legislative Proposal II in Appendix T.

The Committee recommends no change in the present system of applying $2 from the court costs levied in each criminal case to help fund the basic benefits under LEOBRF. The sums derived from this source would continue to be used to reduce the total employers' cost.

The Committee proposes that this reduced employers' cost be allocated among all employers, the localities and the State, in proportion that the individual unit's employees' annual salaries bear to the total annual compensation of all members of LEOBRF. Specifically, G.S. 143-166(i) should be amended to require that the Board of Commissioners of the Law Enforcement Officers' Benefit and Retirement Fund set a single annual contribution rate to be applied to the total monthly compensation paid by each employer to its employee-members of LEOBRF. The annual contribution rate is to be equal to a percentage of the actual compensation of each member which will fund the basic benefits in LEOBRF and which will eliminate the accrued liability of those benefits within no greater than a 30-year period.

The employer is directed to pay monthly into the LEOBRF an amount equal to the annual contribution rate set by the Board multiplied by the total monthly compensation of the members it employs.

The bill specifically directs the Board of Commissioners to seek a writ of mandamus in the Superior Court to compel these payments in the face of a recalcitrant employer.

The Committee proposes that this change in funding begin with the implementation of the proposed changes in eligibility requirements on July 1, 1979. The Committee feels that if this proposal is enacted during the 1978 General Assembly, the local governmental units and the LEOBRF itself would have plenty of time to implement all of these provisions.

The Committee asked Mr. Hugh Gillespie of the George B. Buck firm, the LEOBRF's actuary, to give it estimates as to the annual cost to local government and State, and the annual cost expressed as a percent of payroll of transferring as of July 1, 1979, the employers' cost of funding of the basic benefits from the State alone to each employer, whether State or local governmental unit. Mr. Gillespie gave his estimates based on the currently used 25-year period to liquidate the unfunded liability of the system (Appendix V).

If the present eligibility requirements level of LEOBRF is not changed, the Buck firm estimates that the net employer cost, after having subtracted the court costs contribution, to all employers would be $4,247,518. Of that sum, if one were to allot this cost between the State and local governmental units by each's membership in the system, the local governments would assume the payment of $2,973,290 for the

1979-1980 fiscal year, which would be the amount saved by the State. The annual contribution rate would be set at 3.61% of payroll.

Mr. Gillespie estimated that, if the level of eligibility requirements in the LEOBRF are changed as the Committee proposes above, the net employer cost, less court costs contributions, for the 1979-1980 fiscal year would be $4,859,648, of which $1,457,894 would be the State's share and $3,401,754 would be the local governmental share. The latter figure would be the savings to the State of transferring funding.

The net employers' cost figured as an annual contribution rate would be 4.13%. The table in Appendix W divides the local governmental units' share among each of the nearly 300 employers' units using the factor of 4.12%. The table was formulated before the Subcommittee had made final its proposals regarding the new death benefit in LEOBRF. Because the difference of one hundredth of a percentage point is relatively insignificant and also because the estimated percentage factor itself may vary before July 1, 1979, the table in Appendix W is not refigured. That table shows clearly the approximate cost to each local unit of the Committee's proposal.

Finding 4. <u>In the past employees of private concerns have been permitted to become members of the Law Enforcement Officers' Benefit and Retirement Fund</u>. Some of these individuals are still participating.

Recommendation 4. <u>No employee of a private concern should be eligible for membership in the Law Enforcement Officers' Benefit and Retirement Fund after July 1, 1979</u>. The Committee's recommendation is contained in Section 3 of Legislative Proposal II in Appendix T. If enacted, this proposal would prohibit private employee members from making <u>further</u> contributions or from gaining <u>further</u> service credits under the LEOBRF. The proposal would freeze in those members their rights under the LEOBRF which have accrued as of that date. Those members would still be eligible for retirement benefits for service accruing before that date.

The Committee in making this recommendation is of the belief that the State of North Carolina should not further subsidize the retirement benefits of employees of private concerns.

APPENDICES

APPENDIX A

1977-79

LEGISLATIVE RESEARCH COMMISSION MEMBERSHIP

House Speaker Carl J. Stewart, Jr.
Chairman

Representative Chris S. Barker, Jr.

Representative John R. Gamble, Jr.

Representative A. Hartwell Campbell

Representative H. Parks Helms

Representative Lura S. Tally

Senate President Pro Tempore
John T. Henley, Chairman

Senator Dallas L. Alford, Jr.

Senator Luther J. Britt, Jr.

Senator Cecil J. Hill

Senator Robert B. Jordan, III

Senator Vernon E. White

Session Laws—1977

H. B. 674 CHAPTER 972

AN ACT DIRECTING THE LEGISLATIVE RESEARCH COMMISSION TO STUDY PUBLIC SCHOOL EMPLOYEES' SALARIES, AND OTHER MATTERS.

The General Assembly of North Carolina enacts:

Section 1. The Legislative Research Commission, as structured by G.S. 120-30.10 *et seq.*, shall make a thorough study of adequate salaries for public school employees, and the commission shall recommend adjustments in the salary index schedule for public school employees.

Sec. 2. The commission shall study the authorization for, and use of, office and clerical personnel within the public school system including: the current methods of funding personnel positions, the optimum ratio of office and clerical personnel to the number of students within the system, and the job descriptions necessary in school systems of various sizes. (Originated in S.J.R. 896.)

Sec. 3. The commission shall study the advisability of using State funds to provide trained and qualified attendance counselors to local education agencies including: the ratio of counselors to students, minimum educational standards, certification requirements, rate of pay, and function of attendance counselors. (Originated in H.B. 981.)

Sec. 4. The commission shall study the financing, the benefits, and the operations of the Law Enforcement Officers' Benefit and Retirement Fund (including the Basic Benefit Fund and other funds) and the Firemen's Pension Fund. The commission shall further examine:

(1) providing a permanent plan to require employer's participation in the LEOBRF to contribute to the Basic Benefit Fund;

(2) transferring the LEOBRF and the Firemen's Pension Fund to the Department of the State Treasurer by a Type II transfer;

(3) alternate methods of funding the LEOBRF and the Firemen's Pension Fund.

Sec. 5. The commission shall report on these subjects on the convening of the 1977 General Assembly, Second Session 1978.

Sec. 6. This act shall become effective upon ratification.

In the General Assembly read three times and ratified, this the 1st day of July, 1977.

APPENDIX C

WITNESSES

Mr. Ronald Aycock
N. C. County Commissioners Association

Mr. Ernest Ball
N. C. League of Municipalities

The Honorable Harlan E. Boyles
State Treasurer
Member of the Board of Commissioners of the LEOBRF

The Honorable Henry L. Bridges
State Auditor
Chairman of the Board of Trustees of the FPF
Chairman of the Board of Commissioners of the LEOBRF

Mr. W. H. Copley
Retired Firemen of Durham

Mr. Charles R. Dilts
Charles R. Dilts Consulting Actuaries

Mr. Dennis Ducker
Deputy Director
Retirement and Health Benefits Division
Department of State Treasurer

Ms. Lorraine Franz
George B. Buck Consulting Actuaries

Mr. Robert E. Goodwin
Chief of the Raleigh Police Department

Mr. Durwood Gunnells
N. C. Association of County Commissioners

Mr. Henry G. McFayden
Executive Secretary of the LEOBRF

Mr. W. H. Hambleton
Director
Retirement and Health Benefits Division
Department of State Treasurer

Mr. R. A. Pruett
Council of the Law Enforcement Officers' Association

APPENDIX D

LEGISLATIVE RESEARCH COMMISSION

SUBCOMMITTEE ON RETIREMENT MATTERS

ACTUARIAL STUDY

I - LAW ENFORCEMENT OFFICERS BENEFIT AND RETIREMENT FUND

II - FIREMEN'S PENSION FUND

February, 1978

CHARLES R. DILTS ASSOCIATES
Consulting Actuaries
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CONTENTS

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INTRODUCTION

In accordance with Section 4, Chapter 972 of the 1977 Session Laws, the Legislative Research Commission was directed to study the financing, benefits, and operations of the Law Enforcement Officer's Benefit and Retirement Fund (LEOBRF) and the Firemen's Pension Fund (FPF). The Commission was further directed to report on its study to the Second Session (1978) of the 1977 General Assembly.

This Actuarial Study has been prepared at the request of the Legislative Research Commission's Subcommittee on Retirement Matters in order to furnish the following information on the two systems:

1. COST OF BENEFITS: Provide the actual dollar cost figure for fiscal year (FY) 1976-1977 for each existing benefit under each system and project these figures for FY 1977-1978, 1978-1979, and 1979-1980, stating any assumptions on which the projections are based.
2. FINANCING:
    a. Describe the present method of financing and each of the assumptions that influence the financing of the systems and assess the reasonableness and adherence to sound pension and retirement policy of those methods and assumptions.

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b. Recommend such changes in the assumptions, if any, which would improve the financial soundness of the systems, or reduce the contribution by members, employers, or the State to the systems.

c. Using the existing assumptions show the amount of funds produced by each source of funds for the FY 1976-1977 and project these figures for FY 1977-1978, 1978-1979, and 1979-1980.

d. Using any recommended alternate assumptions show the amount of funds produced by each source for each system for the most recent actual year and project these figures for FY 1977-1978, 1978-1979. Include in the information provided the employer, the employee and the State contribution rates and the method of arriving at these rates.

e. Recommend methods by which a permanent change in the employer and employee contributions to LEOBRF could be made so that local governmental units who employ members of that system would be required to contribute to the normal retirement allowance of those members and recommend rates. Advise the subcommittee of the adherence to sound pension and retirement policy of such methods.

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f. Suggest and evaluate alternate methods of financing each system.

g. Describe and explain any other recommendations with respect to financing of the systems.

3. TRANSFER: Analyze as to the potential economies and the adherence to sound pension and retirement policy of transferring the administration of both systems from the Department of State Auditor to the Department of State Treasurer by a "type II transfer".

The study is comprised of Part I on the Law Enforcement Officers' Benefit and Retirement Fund and Part II on the Firemen's Pension Fund.

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PART I

LAW ENFORCEMENT OFFICERS' BENEFIT AND RETIREMENT FUND

The Law Enforcement Officers' Benefit and Retirement Fund (LEOBRF) was originally established by the General Assembly in 1937 as a death benefit fund for law enforcement officers killed in the line of duty. Subsequent amendments beginning in 1940 created the retirement program, and the LEOBRF currently provides retirement, death, and disability benefits to all law enforcement officers who are employed by the State of North Carolina or political subdivisions thereof, have the full power of arrest and whose primary duties include enforcing on public property the criminal laws of the State and/or serving civil processes.

COST OF BENEFITS

The scope of this report does not include an actuarial valuation of the LEOBRF, and estimates of the costs of benefits through 1980 cannot be extrapolated with a reasonable degree of certainty without a valuation.

FINANCING

The present method of financing involves the following contributions accounts:

Regular contribution account - Receives mandatory contributions by active members at the rate of 6% of compensation (up from 5% as of July 1, 1977);

Special contribution account - Receives additional elective contributions from active members and their employers subject to a maximum each year of 15% of the member's compensation and further subject to an aggregate maximum on account of prior service of three times the value of the member's prior service credits. According to the Auditor's Report, approximately 250 local employers have employees who are members of LEOBRF, and employer special contributions range from 0% up to 12% for these members. The State contributes for each member who would be otherwise eligible to join the TSER system an amount equal to the value of the member's prior service credit plus an amount to match the member's regular contributions

Accumulation account - Receives two-thirds of the income from court costs ($2 per case) plus appropriations from the General Fund and the Highway Fund.

Separate benefit fund - Receives one-third of the income from court costs.

The actuarial cost method is the "projected benefit method with entry age normal cost and open-end accrued liability." Actuarial gains are applied to the accrued liability.

The mortality, disability, service retirement, and withdrawal tables are based on experience. The interest assumption is 5% in the June 30, 1975 valuation and has been increased to 6% for subsequent valuation. The current rate of investment yield on the assets, using amortized values, is in excess of 7.4%, which is approximately a 25% margin in investment income. This margin in combination with assumptions for decrements based on experience is appropriately conservative for the LEOBRF.

No change in the actuarial cost method or assumptions is recommended at this time. The method and assumptions are reasonable and adhere to sound pension and retirement policy.

In appraising methods by which the contribution schedule to LEOBRF could be modified so as to require contributions from local governmental units, it is appropriate to cite the current similarities and the differences in benefits and funding between the North Carolina Local Governmental Employees' Retirement System and the LEOBRF.

In benefits the LEOBRF recognizes the particular employment characteristics and hazards of law enforcement officers in the provision for normal retirement at age 55 and in the special annuity benefits derived from the special contributions account.

Similarities in benefits between the two systems exist in the benefit percentage and in the four-year AFC, although the vesting and disability provisions are less liberal in the LEOBRF.

The funding schedules are the same for member contributions, although LEOBRF permits additional elective contributions and also receives funds from court costs.

A feasible approach to requiring local governmental contributions to the LEOBRF is to upgrade the benefits for law enforcement officers, requiring the improved benefits to be funded by employer contributions so as eventually to have LEOBRF minimum benefits parallel those provided by the Local Governmental Employees' system.

Funds derived from court costs and by elective member and employer contributions over and above the mandatory member and employer contributions can be applied to provide the costs of the benefits which recognize the particular employment characteristics and hazards of law enforcement officers.

Such a change would be mandatory only for officers who enroll in the LEOBRF after the effective date of the change and would be optional for existing active members. The incentive for employers to cover existing members with the improved benefits would emanate from the growth in the numbers of new members.

Local governmental units which currently have employees in both systems would face no sudden or appreciable increase in costs by reason of this type of change. Those units which do not participate in either system will incur added costs as a percent of payroll but probably not in excess of 3.5% for normal costs nor in excess of 3% for accrued liability payments.

Specifically employer contributions could be assessed for the following changes in the LEOBRF:

1 - Reducing the vesting period from 10 years to five years.

2 - Reducing the disability retirement qualification for non-occupational accident and sickness from 10 years to 5 years.

3 - Providing ad hoc cost of living increases enacted in the future for participants in the Local Governmental Employees' System to members of the LEOBRF.

Benefits for LEOBRF members which are not provided by the Local Governmental Employees' System would continue to be provided and would be funded from the special contribution account and the separate benefit fund. Funding for the parallel benefits would come from the regular contribution account and the accumulation account, the latter account receiving State appropriations only for eligible law enforcement officers employed by the State.

TRANSFER

A type II transfer of the administration of the LEOBRF is recommended in order to offer opportunities for better service to the participants, for centralized record keeping and elimination of duplication, and for coordination with other benefit plans.

If legislation is considered which would upgrade the benefit structure of the LEOBRF so as to make it parallel to the North Carolina Local Governmental Employees' Retirement System while suitably recognizing the particular employment characteristics and hazards of law enforcement officers, a type II transfer would be essential to sound pension and retirement policy.

PART II

FIREMEN'S PENSION FUND

The North Carolina Firemen's Pension Fund (FPF) was established by the General Assembly in 1957 and was to be financed principally by a 1% tax on fire insurance policy premiums. After the 1957 Act was declared unconstitutional, the General Assembly in 1959 again established FPF and enacted the same financing measure as a separate general fund revenue.

It is significant in the historical context that the prerequisite for participation in FPF, being a member of a fire department with a standard minimum rating, has apparently contributed substantially to an improvement of fire and other emergency protection for the citizens of North Carolina, as evidenced by the growth in the enrollment of active members.

COST OF BENEFITS

The cost of the benefits provided by FPF, excluding transfers for death benefits, for the fiscal years ending 1977, 1978, 1979, and 1980 is as follows:

	Actual	Estimated		
	6/30/77	6/30/78	6/30/79	6/30/80
Retirement benefits	$836,718	$994,200	$1,066,200	$1,185,000
Refunds	82,533	93,000	104,000	112,000
Disability benefits	--	2,435	5,406	5,997
Totals	$919,251	$1,089,635	$1,175,606	$1,302,997

The cost of the estimated retirement benefits above are determined by multiplying the $600 annual benefit by the mean of the estimated number of retirees during the year, based on projections of retirees in the Auditor's Report. The refunds are taken directly from the Auditor's Report.

Projected disability benefits provided under H.B. 394 are based on a disability rate of .0005 in the first year and .001 in the second and third years. This cost figure does not appear to be significant in relation to the total cost, but it can be subject to wide variation according to the manner in which it is administered.

FINANCING

FPF is financed by a monthly contribution of $5.00 per active member and by a State appropriation which is actuarially determined to be adequate to fund the current and future benefits. The objectives of the actuarial valuation include determining the amount of the State's annual contribution which combined with investment earnings and member contributions will provide the current benefits payable to retired and disabled members and will fund benefits payable in the future as they accrue to the credit of the current active members.

The assumptions on which the 1976 actuarial valuation is based are as follows:

Interest: 6% per annum compounded annually.

Decrements: Representative values of the annual decrement rates of active members for withdrawal and vesting, retirement, and death are shown by age:

Age	Withdrawal and Vesting	Retirement	Death
25	.058		.001
30	.035		.001
35	.023		.001
40	.023		.002
45	.022		.002
50	.021		.003
55	.018	.550	.005
60	.019	.500	.007
64	.020	.500	.010

Deaths after retirement: Based on Combined Annuity Table rated back three years.

Value of assets: Amortized values.

To the extent that the actual experience of a pension plan coincides with the actuarial assumptions used, the costs of the plan will exactly equal the annual contributions recommended in the actuarial valuation.

In reality the actual experience of the plan will vary from the actuarial assumptions, and the recommended annual contributions therefore can only be regarded as an estimate of the costs. The actual cost of a plan can only be determined in retrospect with complete accuracy.

In setting actuarial assumptions to determine the recommended annual contributions, adherence to sound pension and retirement policy does not automatically imply deliberate conservatism. A selection of assumptions, which in combination will assure a long term stability of contributions, expressed in the FPF as an annual amount per member, is a financially sound approach.

The current assumptions used in the FPF valuation adhere to sound pension and retirement policy and provide a sufficient margin for contingencies.

The actuarial valuation method is the "projected benefit method with entry age normal cost and open-end accrued liability." The accrued liability for service prior to the effective date of the FPF and for the additional benefits provided by H.B. 394 is being funded on a 30-year schedule.

No change is recommended in the assumptions or methods at this time.

The sources and amounts of funds for the years ending 1977, 1978, 1979, and 1980 are as follows:

	Actual	Estimated		
	6/30/77	6/30/78	6/30/79	6/30/80
Beginning fund	$10,610,996	$11,948,508	$13,086,094	$14,470,266
Add: Investment income	933,153	895,864	1,112,759	1,211,436
Contributions	1,324,571	1,331,357	1,447,019	1,522,459
Deduct: Benefits	920,212	1,089,635	1,175,606	1,302,997
Ending fund	$11,948,508	$13,086,094	$14,470,266	$15,901,164

The current method of financing the FPF is appropriate to the system, and no major changes are recommended at this time. The FPF with its current benefit schedule is a supplementary income plan, secondary to other retirement benefits, such as social security and the TSER system, or to the wages or salary of retired members.

Because it covers both paid and volunteer firemen, its benefits cannot be geared to wages or salary as in a conventional retirement plan.

As of July 1, 1977, H.B. 394 effectively changed the normal retirement qualification for the FPF to attainment of age 55 and completion of 20 years service, and it is therefore recommended that any additional legislation which would liberalize benefits and thereby increase the accrued liability be subject to a funding schedule of not more than 20 years. The trend to public safety officers in the medium and large cities in the State may signal a leveling off or a down trend in the membership of the FPF, the prospect for which calls for maintaining a moderately conservative funding stance.

The current investment yield on the assets of the FPF is in excess of 8% per year. This yield is approximately 35% more than the fund is obligated to earn on its assets. Because of the recent substantial liberalization in benefits and the increase in the interest assumption in 1976, no change in this assumption is recommended at the present time.

On the following page is an actuarial projection of the assets, liabilities, and contributions of the FPF for the three fiscal years beginning July 1, 1977, based on the current assumptions previously listed, data from the Auditor's Report and the Accountants' Report, and results of the June 30, 1976 valuation.

NORTH CAROLINA FIREMEN'S PENSION FUND-PROJECTIONS OF ASSETS, LIABILITIES, AND CONTRIBUTIONS

	1976 - 1977	1977 - 1978	1978 - 1979	1979 - 1980
Assets (beginning of year)				
Contribution Fund	$ 3,293,230	$ 3,520,292	$ 3,779,072	$ 3,961,572
Pension Fund	7,317,766	8,428,216	9,307,022	10,508,694
Total Fund	$10,610,996	$11,948,508	$13,086,094	$14,470,266
Present values (excluding H.B. 394):				
Future member contributions	$ 2,950,254	3,285,925	3,647,879	4,046,676
Normal Costs payable by State	1,605,359	1,787,424	1,984,319	2,201,245
Accrued liability payable by State	5,282,848	5,216,046	5,145,189	5,070,132
Total present values	$ 9,838,461	$10,289,395	$10,777,387	$11,318,053
Additional present values (H.B. 394):				
Normal costs payable by State		$ 269,179	$ 298,831	$ 331,504
Accrued liability payable by State		7,550,648	7,580,484	7,542,076
Total additional present values		$ 7,819,827	$ 7,879,315	$ 7,873,580
Total assets	$20,449,457	$30,057,730	$31,742,796	$33,661,899
Liabilities				
Present values (excluding H.B. 394):				
Pensions payable to retirees	$ 6,951,351	$ 7,293,650	$ 7,780,500	$ 8,394,750
Refunds	864,817	897,680	922,760	933,138
Pensions payable active members	12,633,289	14,046,573	15,160,221	16,460,431
Total present values	$20,449,457	$22,237,903	$23,863,481	$25,788,319
Additional present values (H.B. 394):				
Pensions payable to retirees		$ 1,035,751	$ 1,197,000	$ 1,291,500
Pensions payable to active members		6,784,076	6,682,315	6,582,080
Total additional present values		$ 7,819,827	$ 7,879,315	$ 7,873,580
Total liabilities	$20,449,457	$30,057,730	$31,742,796	$33,661,899
Contributions				
Normal cost	$ 195,000	$ 249,891	$ 277,418	307,746
Accrued liability - 30 yr. funding	397,184	567,686	569,901	567,013
Total State contribution	$ 592,184	$ 817,577	847,319	874,759
Member contributions	442,535	513,780	599,700	647,700
[illegible] contributions	$ 1,034,719	$ 1,331,357	$ 1,447,019	$ 1,52[illegible]

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TRANSFER

The economy of transferring the administration of the FPF from the Department of State Auditor to the Department of State Treasurer by a "type II transfer" is difficult to project and measure in dollars. At the present time the administrative costs of the FPF, according to the Auditor's Report, are less than 2% of total contributions, which is moderate for a contributory plan providing supplementary benefits. Whether or not this cost figure could be reduced by a transfer is a matter of conjecture and is not the primary consideration.

A type II transfer is strongly recommended for reasons of good management and control, and a centralized administration of the FPF and the other benefit and retirement plans sponsored by the State should be effected as soon as practical.

The benefits of such a transfer would include the opportunities to provide better service to the participants in the FPF, to eliminate any duplicate record-keeping, to coordinate with other benefit plans in the compiling and reporting of plan data, and ultimately to aid in the establishment of a single data bank for employee data.

Adherence to sound pension and retirement policy would be enhanced by centralizing the administration of all State sponsored plans.

If such a transfer is ordered by the General Assembly, it is recommended that the assets accounts of the FPF continue to be maintained separate and distinct from any other benefit funds.

LEGISLATIVE RESEARCH COMMISSION
SUBCOMMITTEE ON RETIREMENT MATTERS

APPENDIX A - Supplement to Actuarial Study on Law Enforcement Officers Benefit and Retirement Fund (LEOBRF):

The current benefit structure of the LEOBRF comprises a service and disability retirement program on qualified members and an accidental death benefit in the course of duty on all North Carolina law enforcement officers financed by the following types of contributions:

1 - Member contributions equal to 6% of compensation.

2 - Court costs equal to $2 per court case.

3 - Actuarially determined contributions from the General Fund, the Highway Fund, and the Wildlife Commission.

A separate benefit fund to which is contributed court costs of $1 per court case and a special benefit contribution fund of elective employer and member contributions finance additional and supplemental benefits for LEOBRF members.

An objective of this Report is to develop a feasible approach by which the service and disability retirement program for non-State employed LEOBRF members can be financed entirely from court costs and from contributions by local governmental employers and members without reliance on State appropriations. Benefits for State employed LEOBRF members would continue to be financed by State appropriations.

In order to justify assessing the local government employers for a share of the costs of the LEOBRF service and disability retirement program, the following approach is recommended:

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Upgrade the LEOBRF service and disability retirement program so that its benefit structure financed by the contributions listed above is parallel to that of the North Carolina Local Governmental Employees' Retirement System (LGERS). Specifically the following changes in the LEOBRF benefits should be made:

a - The requirement of 10 years minimum creditable service to be eligible at age 55 for service retirement should be dropped.

b - The requirement of 10 years minimum creditable service for non-occupational disability should be reduced to five years, and the benefit should be based on service projected to age 65 instead of age 55.

c - The separation allowance should be payable after five years creditable service instead of 15 years.

d - A death benefit equivalent to annual compensation up to $15,000 less the $5,000 benefit payable from the separate benefit fund should be provided.

e - A cost of living increase should be provided to LEOBRF members whenever an increase is provided to LGERS members.

If the current LEOBRF service and disability retirement benefit structure, calculated using 1.55% times AFC times years of service, should provide more benefits than the upgraded structure using a percentage of 1.5%, then the excess amount should be payable to the member.

All new and reinstated LEOBRF members would be covered under the above benefits and existing members would be covered when enrolled by their local governmental employers. Contributions for new and reinstated LEOBRF members would be required from their local governmental employers.

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The estimated normal cost and accrued liability contribution rate from the local governmental employers to finance the above parallel benefit structure for LEOBRF members is estimated not to exceed 3.63% of payroll based on a 6% valuation interest rate for the 12-month period ending June 30, 1978, and including a 30-year amortization period for the accrued liability. This figure is comparable to the 3.67% rate for members of the LGERS, which is based on a 5% valuation interest rate and does not include an accrued liability payment.

Benefits for LEOBRF members which would not be financed from mandatory contributions by local governmental employers and members are as follows:

1 - The cost of any excess benefit derived from using the 1.55% benefit percentage in the current LEOBRF benefit structure over the upgraded structure using a 1.5% benefit structure would be met from the $2 court costs.

2 - The cost of disability retirement incurred after one year but prior to five years creditable service due to an accident in the course of duty would be met from the $2 court costs.

3 - Any additional cost of providing the separation allowance at age 50 instead of age 60 would be met from the $2 court costs.

4 - The cost of the accidental death benefit would be met from the $2 court costs.

5 - Special annuity benefits would continue to be financed from the special contributions account.

6 - The death benefit and the temporary disability benefit would continue to be financed from the separate benefit fund.

On the following page is a projection of costs and contributions for LEOBRF, which has been developed from information in the Auditor's Report.

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The cost of the first four items above would be met from the $2 per case court costs, the estimated income from which is shown on line 8.

The estimated total normal cost and accrued liability contributions and the amounts payable by local employers and by the State are shown on line 9, 9a, and 9b, respectively. The actual amounts payable by the State would depend on how many local governmental units adopted the upgraded benefits for their existing LEOBRF members and enrolled new members, thereby agreeing to contribute.

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PROJECTION OF MEMBERSHIP, PAY , COURT COSTS AND BENEFIT COSTS
LAW ENFORCEMENT OFFICERS EFIT AND RETIREMENT FUND

	1976-77	1977-78	1978-79	1979-80
1 - Mean number of active members	7,943	8,240	8,600	9,050
a - Local members(.72x1)	5,719	5,933	6,192	6,516
b - State members	2,224	2,307	2,408	2,534
2 - Members regular contributions	$ 4,646,889	$ 6,100,000	$ 6,700,000	$ 7,400,000
a - Local members (.71x2)	3,299,291	4,331,000	4,757,000	5,254,000
b - State members	1,347,598	1,769,000	1,943,000	2,146,000
3 - State agencies special contributions	1,364,218	1,500,000	1,670,000	1,865,000
4 - Court costs	2,184,037	2,200,000	2,200,000	2,200,000
5 - Yield rate on investments	7.5%	7.6%	7.7%	7.8%
6 - Total payroll [$\frac{2}{.049}$ in 1976-77; $\frac{2}{.059}$]	94,834,469	103,389,831	113,559,322	125,423,729
a - Local members (.70x6.)	66,384,129	72,372,881	79,491,525	87,796,610
b - State members	28,450,340	31,016,950	34,067,797	37,627,119
7 - Normal cost and accrued liability to service retirement and disability retirement based on 6% valuation interest rate (.0505x6) and 30 years amortization.	4,789,141	5,221,186	5,734,746	6,333,898
8 - Court costs directed to service retirement and retirement and disability retirement (2/3 x4)	1,456,025	1,466,667	1,466,667	1,466,667
9 - Normal cost and accrued liability contribution less court cost (7-8)	3,333,116	3,754,519	4,268,079	4,867,231
a - Local employers $\frac{(6a x 9)}{6}$	2,333,181	2,628,163	2,987,655	3,407,062
b - State	999,935	1,126,356	1,280,424	1,460,169
10 - NC and AL contribution less court costs as a percent of payroll (9/6)	3.51%	3.63%	3.76%	3.88%

The State's contributions to the LEOBRF for non-State employed members under this approach should be subject to a cut-off not later than the year beginning July 1, 1980.

The estimated total additional cost of the upgraded benefits expressed in terms of the normal cost and accrued liability contribution less court costs for the year 1976-77 would be as follows, based on the theoretical assumption that all LEOBRF members were covered under the new structure:

1 - Cost to State for current benefit structure, 5% interest assumption, 17 year funding of accrued liability.	$2,753,944
2 - Cost for upgraded benefit structure, 6% interest assumption, 30 year funding of accrued liability (line 9)	$3,333,116
3 - State share of cost (line 9b)	$ 999,935
4 - Additional total cost (2)-(1)	$ 579,172
5 - Reduction in State cost, (1)-(3)	$1,754,009

The estimated additional costs of this approach in the future are subject to the acceptance of the responsibility to contribute by the local governmental units or to the compulsion imposed upon those units by the General Assembly and by LEOBRF members desiring upgraded benefits.

Estimated savings in future years are as follows, assuming 100% coverage:

	1977-78	1978-79	1979-80
1- Current benefit structure - cost to State	$ 2,920,000	$3,140,000	$3,360,000
2- Cost for upgraded benefit structure	3,754,519	4,268,079	4,867,231
3- State share (line 9b)	1,126,356	1,280,424	1,460,169
4- Additional total cost, (2)-(1)	834,519	1,128,079	1,507,231
5- Reduction in State cost, (1)-(3)	1,793,644	1,859,576	1,899,831

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e figures presented in this Appendix are highly sensitive to the projections of membership and to the age, service, and salary characteristics of the membership. Therefore the costs of the LEOBRF program should be carefully monitored, and the funding by necessity must be subject to annual actuarial valuations based on reasonable assumptions and accurate data.

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APPENDIX F
NORTH CAROLINA FIREMEN'S PENSION FUND

Presentation of State Auditor to the Legislative Study Commission Nov. 2, 1977

The North Carolina Firemen's Pension Fund was first established in 1957. The General Assembly in 1957 created the North Carolina Firemen's Pension Fund and levied a 1% tax on fire insurance policy premiums for the purpose of supporting or funding the retirement benefits. The 1957 Act was declared unconstitutional.

In 1959 the General Assembly reenacted the Firemen's Pension Fund G. S. 118-18 through 118-32, and at the same time reenacted a law to continue a 1% tax on fire insurance premiums as a general fund revenue. An appropriation out of the general fund was made for the purpose of partially supporting or funding the North Carolina Firemen's Pension Fund. This along with $5.00 per month paid by each member and the interest earned on the investments support the fund.

The 1959 Act was challenged and the Supreme Court in its decision in the case of Insurance Companies vs Gold, The Commissioner of Insurance, upheld the validity of the pension act and said in effect that this was deferred compensation for a public service.

The concept was firmly established by the Legislature that the revenue produced by the tax was to be put in the general fund, but that an appropriation in the amount closely equal to the amount of revenue produced by the tax would be appropriated for the support of the Firemen's Pension Fund.

Over a period of years there accumulated a deficit of $1,800,000 in the amount of revenue produced by the tax and the amount of appropriation to support the Firemen's Pension Fund. The basic concept was reestablished in 1973 and 1974 when this $1,800,000 deficit was appropriated and paid to the Firemen's Pension Fund. This appropriation enabled us to open the door for new members to participate in the fund who did not take advantage of membership when the fund was established.

The membership in this fund is predicated upon a fireman, whether he is a full time paid fireman or a voluntary fireman, being a member of a fire department that is rated by the rating bureau. This means that the department must have minimum amount of equipment and also a minimum of at least 36 hours a year of training per man. Also, those areas of North Carolina that are protected by a rated fire department pays much less premium on their fire insurance policies that in those areas wherein they are not protected by such a rated department. This has meant savings of sizeable amounts of money to the citizens throughout the state. The existence of the pension fund has been the impetus to get the number of rated departments increased from approximately 400 to 1,030 at the present time. The overall benefit of this additional fire protection and the additional training has meant a lot to everyone concerned.

Present total number of active contributing members is 8,235. Total number of retirees is 1,677. Total monthly benefits being paid is $83,850. Chapter 926 of the Session Laws of 1977, provides that a fireman may retire at age 55 with 20 years of creditable fire service and receive $50.00 per month for life.

In my opinion the Firemen's Pension Fund is one of the most far reachir and beneficial efforts on the part of the General Assembly that has been put into effect in recent years, when we consider the overall benefit to the people of North Carolina.

Under the reorganization act of 1971 the Firemen's Pension Fund was made a part of the State Auditor's office and the State Auditor is ex officio chairman of the Board and the other ex officio member is the Commissioner of Insurance. The Board has 3 other members appointed by the Governor, one of whom must be a paid fireman, one a voluntary fireman, and one representing the public at large.

The State Treasurer is the custodian of the funds and invests those funds not immediately needed for payment of benefits.

This fund is on an actuarial sound basis and in my opinion we can make the program work with the amount of funding that is produced by the tax on the fire insurance premiums.

At the time the Firemen's Pension Fund was created, it was the intent of the Legislature to give each volunteer fireman a meaningful amount in token of appreciation for past services rendered. This amount was to have been $50.00. At that time, however, there were not sufficient funds available to give all retired firemen that amount, and a schedule was created to give the older firemen the full $50.00 and the younger firemen a lesser amount until the fund was actuarily able to provide all firemen the full amount of $50.00 with the required number of years. This has been accomplished. If the fund should ever grow to provide additional benefits, it is the feeling amoung the firemen that disabled firemen and widows of retired firemen should be given first consideration.

APPENDIX G

STRUCTURE OF

THE FIREMEN'S PENSION FUND (FPF)
G.S. 118-18 through 118-32

11/1/77

Governing Authority (G.S.118-23)	SPACE FOR RESPONSE
a. Name	Board of Trustees
b. Membership	5
c. How Appointed	2 Ex-Officio Members, State Auditor Insurance Commissioner; 3 appointed by the Governor, one paid, one volunteer, and one at large
d. Tenure	4 year term

Persons Eligible for Membership (G.S. 118.23)

Any fireman belonging to a rated and certified fire department in North Carolina.

Vesting Period (G.S. 118.25)

20 years

Disability Retirement (G.S. (None)

a. Years of Service

b. Age

c. Formula

Early Retirement (G.S. (None)

a. Years of Service

b. Age

c. Formula

Normal Retirement (G.S. 118.25)

a. Years of Service 20

b. Age 55

c. Formula With 20 years of creditable fire service and 55 year old or older will receive a monthly benefit of $50.

Death Benefit Formula (G.S.(None)

Investment Committee (G.S. 118.22) Funds invested by the State Treasurer.

a. One Appointing Committee

b. Administrator

c. Investment Counsel

11/1/77

APPENDIX H

OUTLINE OF FINANCIAL INFORMATION CONCERNING

THE FIREMEN'S PENSION FUND [a]
(G.S. 118-18 through 118-32)

a = Prepared by the Department of State Auditor

FINANCIAL INFORMATION

THE FIREMEN'S PENSION FUND (FPF)

Year	Number of Members		
	Active Contributing Members Not Receiving Benefits	Retired Firemen Receiving Benefits	Total
1965	3,085	609	3,694
1966	3,029	664	3,693
1967	3,086	724	3,810
1968	3,041	756	3,797
1969	3,203	784	3,987
1970	3,300	832	4,132
1971	3,467	926	4,393
1972	3,906	1,096	5,002
1973	4,253	1,129	5,382
1974	6,730	1,281	8,011
1975	7,103	1,468	8,571
1976	7,287	1,544	8,831
1977 a	8,116	1,603	9,719
1978 a	9,010	1,710	10,720
1979 a	9,995	1,845	11,840
1980 a	10,795	2,106	12,901

a = Projections by the Department of State Auditor

FPF (Continued)

Contributions

Year	Employee Dollars	Employee Rate	State Appropriations	Other	Total Contributions
1965	$ 185,515.00	$5 Per Month	$ 235,000.00	None	$ 420,515.00
1966	180,910.00	"	460,000.00	"	640,910.00
1967	184,195.00	"	460,000.00	"	644,195.00
1968	186,745.00	"	493,300.00	"	680,045.00
1969	191,855.00	"	493,300.00	"	685,155.00
1970	197,180.00	"	497,600.00	"	694,780.00
1971	216,070.00	"	497,600.00	"	713,670.00
1972	229,360.00	"	497,600.00	"	726,960.00
1973	256,900.00	"	497,600.00	"	754,500.00
1974	1,066,210.00	"	1,700,600.00	"	2,766,810.00
1975	784,630.00	"	1,745,285.00	"	2,529,915.00
1976	426,910.00	"	882,036.00	"	1,308,946.00
1977 a	442,535,00	"	882,036.00	"	1,324,571.00
1978 a	468,615.00	"	882,036.00	"	1,350,651.00
1979 a	495,200.00	"	1,000.000.00	"	1,495,200.00
1980 a	500,000.00	"	1,000,000.00	"	1,500,000.00

a = Projections by the Department of State Auditor

FPF (Continued)

Investments

Year	Total Investments	Earnings on Investments	Earnings on Investments as a Percentage of Total Investments	Total Assets
1965	$ 1,457,575.00	63,848.89	* 4.12%	1,505,449.95
1966	1,445,012.38	58,526.10	* 4.12%	1,802,483.34
1967	1,728,595.19	71,226.83	* 4.33%	2,094,653.17
1968	2,350,103.99	86,735.79	* 4.61%	2,437,527.96
1969	2,643,417.47	109,556.24	* 4.81%	2,744,329.00
1970	3,001,740.37	133,257.16	* 5.16%	3,074,444.36
1971	3,360,344.44	159,425.52	* 5.17%	3,440,695.65
1972	3,705,406.91	222,727.06	* 6.21%	3,759,689.04
1973	4,000,150.62	218,863.32	* 6.36%	4,083,835.22
1974	6,705,588.35	371,712.50	* 7.87%	6,794,662.84
1975	9,190,697.36	660,689.07	* 8.37%	9,261,663.21
1976	10,328,735.55	804,107.35	* 8.43%	10,476,677.83
1977 a	11,729,587.07	932,917.31	* 8.31%	11,988,472.20
1978 a	13,229,587.07	1,064,917.31	8.51%	13,205,000.00
1979 a	14,529,587.07	1,199,917.31	8.73%	14,635,000.00
1980 a	15,925,587.07	1,354,917.31	8.82%	16,125,000.00

a = Projections by the Department of State Auditor

* Percentages supplied by State Treasurer

FPF (Continued)

Disbursements

Year	Pension Payments	Refunds	Interest Credited to Members' Accounts	Cost of Administration	Total Payments
1965	347,241.00	34,465.00	-0-	23,353.24	405,059.24
1966	355,131.00	34,772.50	-0-	21,960.32	411,863.82
1967	385,378.00	37,115.00	-0-	21,205.07	443,698.07
1968	405,497.00	38,485.00	-0-	25,205.22	469,187.22
1969	423,135.00	44,240.00	-0-	21,525.88	488,900.88
1970	448,393.00	48,380.00	-0-	30,544.81	527,317.81
1971	468,306.00	32,405.00	-0-	31,834.70	532,545.70
1972	568,162.00	38,470.00	-0-	33,257.90	639,889.90
1973	604,835.00	44,645.00	-0-	36,811.04	686,291.04
1974	699,671.00	40,005.00	-0-	39,896.96	779,572.96
1975	749,843.00	64,595.00	-0-	45,193.22	859,631.22
1976	808,812.00	87,500.00	-0-	21,747.95	918,059.95
1977 a	836,754.00	82,535.00	-0-	25,769.16	945,058.16
1978 a	1,056,000.00	93,000.00	-0-	29,950.00	1,178,950.00
1979 a	1,116,000.00	104,000.00	-0-	37,200.00	1,257,200.00
1980 a	1,189,000.00	112,000.00	-0-	45,000.00	1,346,000.00

a = Projections by the Department of State Auditor

GENERAL STATUTES OF NORTH CAROLINA

ARTICLE 3.

North Carolina Firemen's Pension Fund.

§ 118-18. Fund established; administration by board of trustees; rules and regulations. — For the purpose of furthering the general welfare and police powers and obligations of the State with respect to the protection of all its citizens from the consequences of loss or damage by fire, as heretofore recognized in part by the enactment of G.S. 160-117 et seq., of increasing the protection of life and all property against loss or damage by fire, of improving fire-fighting techniques, of increasing the potential of fire departments, organizations and groups, of fostering increased and more widely spread training of personnel of said departments, organizations and groups, and of providing incentive and inducement for the participation in fire prevention and fighting activities and for the establishment of new, improved or extended fire departments, organizations and groups to the end that ultimately all areas of the State and all its citizens will receive the benefit of fire protection and a resulting reduction of loss or damage to life and property by fire hazard, and in recognition of the public service rendered to the State of North Carolina and its citizens by the "eligible firemen," as hereinafter defined, there is hereby created in this State, a fund to be known and designated the "North Carolina Firemen's Pension Fund" and it shall be administered as set forth in this Article. Said North Carolina Firemen's Pension Fund is established to provide pension allowances and other benefits for eligible firemen in the State who elect to become members as hereinafter provided. The board of trustees hereby created shall have authority to administer said fund and shall make necessary rules and regulations to carry out the provisions of this Article. (1957, c. 1420, s. 1; 1959, c. 1212, s. 1; 1961, c. 980.)

§ 118-19. Creation and membership of board of trustees; compensation. — There is hereby created a board to be known as the "Board of Trustees of the North Carolina Firemen's Pension Fund." Said board shall consist of five members, namely:

(1) The State Auditor, who shall act as chairman.
(2) The State Insurance Commissioner.
(3) Three members to be appointed by the Governor, one a paid fireman, one a volunteer fireman and one representing the public at large, for terms of four years each.

No member of said board of trustees shall receive any salary, compensation or expenses other than that provided in G.S. 138-5 for each day's attendance at duly and regularly called and held meetings of the board of trustees. (1957, c. 1420, s. 1; 1959, c. 1212, s. 1; 1973, c. 875.)

§ 118-20. Secretary. — There is hereby created an office to be known as secretary of the North Carolina Firemen's Pension Fund. He shall be named by the board and shall serve at its pleasure. The secretary shall be subject to the provisions of the State Personnel Act. The secretary shall be bonded in such amount as may be determined by the board, and he shall promptly transmit to the State Treasurer all moneys collected by him, which said moneys shall be deposited by the State Treasurer in said fund. (1957, c. 1420, s. 1; 1959, c. 1212, s. 1; 1969, c. 359.)

§ 118-23. **"Eligible firemen" defined; determination and certification of volunteers meeting qualifications.** — "Eligible firemen" shall mean all firemen of the State of North Carolina or any political subdivision thereof, including those performing such governmental function in the protection of life and property through fire fighting within a county or city governmental unit and so certified to the Commissioner of Insurance by the governing body thereof, and who belong to a bona fide fire department which, as determined by the Commissioner, is classified as not less than class "9" or class "A" and "AA" departments in accordance with rating methods, schedules, classifications, underwriting rules, bylaws or regulations effective or applied with respect to the establishment of rates or premiums used or charged pursuant to G.S. 58-131.1 or by such other reasonable methods as the Commissioner may determine, and which operates fire apparatus and equipment of the value of five thousand dollars ($5,000) or more, and said fire department holds drills and meetings not less than four hours monthly and said firemen attend at least 36 hours of all drills and meetings in each calendar year. As applied to volunteer firemen, "eligible firemen" shall mean those persons meeting the foregoing qualifications and who in the aggregate number are further determined by their departments as not exceeding 25 volunteer firemen plus one additional volunteer fireman per 100 population in the area served by their said respective departments. Each department shall annually determine and report the names of those volunteers meeting the foregoing eligibility qualifications to its respective board of county commissioners, which upon determination of the validity and accuracy of the same shall promptly certify said list to the board of trustees. (1957, c. 1420, s. 1; 1959, c. 1212, s. 1.)

§ 118-24. **Application for membership in fund; monthly payments by members; payments credited to separate accounts of members.**—Those firemen who are now eligible may make application through the board of trustees hereinbefore created for membership in said fund within 24 months from June 19, 1959. All persons who subsequently become firemen may make application for membership in such fund within 12 months from the date of becoming eligible firemen. Each eligible fireman becoming a member of the fund shall pay the secretary of the board of trustees the sum of five dollars ($5.00) per month; provided, all eligible firemen electing to become members and serving as such on June 19, 1959, shall pay the sum of five dollars ($5.00) per month from said date; and further provided, firemen not now eligible but becoming so within five years of June 19, 1959, shall be permitted to become members and receive service time credits upon condition that they pay into said fund the sum of five dollars ($5.00) per month from June 19, 1959. The said monthly payments shall be credited to the separate account of the member paying same and shall be kept by the custodian in such manner as to be available for payment to said member on account of his withdrawal from membership or to be used with respect to pension payments upon his said retirement. (1957, c. 1420, s. 1; 1959, c. 1212, s. 1.)

§ 118-24.1. **Retroactive membership.** — Any fireman who is now eligible and who has not previously elected to become a member may make application through the board of trustees heretofore created for membership in said fund on or before June 30, 1974; provided, that such person shall make a lump-sum payment of five dollars ($5.00) per month retroactively to the time he first became eligible to become a member, plus interest at an annual rate of four percent (4%) for each year of his retroactive payments. Upon making such lump-sum payment, such person will be given credit for all prior service in the same manner as if he had made application for membership at the time he first became eligible; provided, further, that any member who made application for membership subsequent to the time he was first eligible and did not receive credit for prior service may receive credit for such prior service upon lump-sum payment of five dollars ($5.00) per month retroactively to the time he first became eligible, plus interest at an annual rate of four percent (4%) for each year of his retroactive payments. Upon making such lump-sum payments, the date of membership would be the same as if he had made application for membership at the time he was first eligible.

Nothing in this section shall be construed as modifying or changing any provisions of Article 3 of Chapter 118 of the General Statutes except as herein expressly provided. (1973, c. 578, ss. 1, 2.)

§ 118-21. **Powers and duties of board of trustees.** — The board of trustees shall have the power and duty to request appropriations out of the general fund for administrative expenses and to provide for the financing of this pension fund, to employ necessary clerical assistance, to determine all applications for pensions, to provide for the payment of pensions hereunder, to make all necessary rules and regulations not inconsistent with law for the government of said fund, to prescribe rules and regulations of eligibility of persons to receive hereunder, to expend funds in accordance with the provisions of this Article, and generally to exercise all other powers necessary for the administration of the fund created by this Article. (1957, c. 1420, s. 1; 1959, c. 1212, s. 1.)

§ 118-22. **State Treasurer to be custodian of fund; appropriations; contributions to fund; expenditures and investments.** — The State Treasurer shall be the custodian of the North Carolina Firemen's Pension Fund. The appropriations made by the General Assembly out of the general fund to provide money for administrative expenses shall be handled in the same manner as any other general fund appropriation. One fourth of the appropriation made out of the general fund to provide for the financing of the pension fund shall be transferred quarterly to a special fund to be known as the North Carolina Firemen's Pension Fund. There shall be set up in the State Treasurer's office a special fund to be known as the North Carolina Firemen's Pension Fund, and all contributions made by the members of this pension fund shall be deposited in said special fund. All expenditures for refunds, investments or benefits shall be in the same manner as expenditures of other special funds. The interest on such investments shall be credited to this special fund. The State Treasurer shall have authority to invest all moneys in said fund not immediately needed for refunds or benefits, in any of the following:

(1) Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States;
(2) Obligations of the federal intermediate credit banks, federal home loan banks, Federal National Mortgage Association, banks for cooperatives, and federal land banks;
(3) Obligations of the State of North Carolina;
(4) General obligations of other states of the United States;
(5) General obligations of cities, counties, and special districts in North Carolina;
(6) Obligations of any corporation within the United States if such obligations bear either of the three highest ratings of at least two nationally recognized rating services;
(7) Notes secured by mortgages on real estate located within the State of North Carolina and insured by the Federal Housing Commissioner, or his successor or assigns, or in debentures issued by such commissioners, which are guaranteed as to principal and interest by the United States or by the Federal Housing Administration, an agency of the United States government, or by some other agency of the United States government;
(8) In certificates of deposit in any bank or trust company authorized to do business in North Carolina in which the deposits are guaranteed by the Federal Deposit Insurance Corporation not to exceed the sum of twenty thousand dollars ($20,000) in any one bank or trust company; and
(9) In the shares of federal savings and loan associations and State chartered building or savings and loan associations in which deposits are guaranteed by the Federal Savings and Loan Insurance Corporation, not to exceed twenty thousand dollars ($20,000) in any one of such associations.

Subject to the limitations set forth above, the Treasurer shall have full power to hold, purchase, sell, assign, transfer and dispose of any of the securities and investments in which any of the funds created herein shall have been invested, as well as the proceeds of said investments and any moneys belonging to said funds. (1957, c. 1420, s. 1; 1959, c. 1212, s. 1; 1961, c. 980; 1971, c. 30.)

§ 118-25. Monthly pensions upon retirement. — Any member who has served 20 years as a fireman in the State of North Carolina, who has been an "eligible fireman" for two years immediat·· , preceding his application for the payment of a pension hereunder and who is · therwise eligible as provided in G.S. 118-23 hereof, and who has attained the age of 55 years shall be entitled to be paid from the fund herein created a monthly pension. Said monthly pension shall be in the amount of fifty dollars ($50.00) per month. Any retired fireman who is receiving a pension in an amount of less than fifty dollars ($50.00) per month prior to July 1, 1977, shall receive a pension in an amount of fifty dollars ($50.00) per month beginning July 1, 1977.

Members shall pay five dollars ($5.00) per month as required by G.S. 118-24 until retirement from active service or until they shall have made said monthly payments for a period of 20 years, whichever first occurs; provided, any member retiring after 20 years of service, but before reaching the age of 55 years, shall continue to pay the monthly payments required by G.S. 118-24 in order to continue his membership in the fund until he shall reach the age of 55 or until he shall have paid said monthly payments into the fund for 20 years, whichever is the earlier. Upon reaching retirement age and being otherwise eligible he shall receive a pension as set out above. Notwithstanding the above provisions, no person shall receive a pension hereunder prior to January 1, 1960, but those persons eligible and retiring prior to said date who have paid into said fund five dollars ($5.00) per month with respect to a period of not less than 12 months or sixty dollars ($60.00) whichever occurs first, shall be entitled to a pension in the amount of fifty dollars ($50.00) per month.

Any member who is totally and permanently disabled while in the discharge of his official duties as a result of bodily injuries sustained or as a result of extreme exercise or extreme activity experienced in the course and scope of his official duties and who leaves the fire service because of this disability shall be entitled to be paid from the fund a monthly benefit in an amount of fifty dollars ($50.00) per month beginning the first month after his fifty-fifth birthday. All disabilities are subject to the appr· val of the board of trustees who may appoint physicians to examine and/or ev· ·ate the disabled member prior to his approval annually and at their discretion. Any disabled member shall not be required to make a monthly payment of five dollars ($5.00) as required by G.S. 118-24.

The pension herein provided for shall be in addition to all other pensions or benefits provided for under any other statutes of the State of North Carolina or the United States, notwithstanding any exclusionary provisions of other pensions or retirement systems provided by law. (1957, c. 1420, s. 1; 1959, c. 1212, s. 1; 1961, c. 980; 1971, c. 336; 1977, c. 926, s. 1.)

§ 118-26. Payments in lump sums. — The board of trustees shall direct payment in lump sums from the fund in the following cases:

(1) To any fireman, upon the attaining of the age of 55 years, who, for any reason, is not qualified to receive the monthly retirement pension and who was enrolled as a member of the fund, an amount equal to the amount paid into the fund by him; provided, this provision shall not be construed to preclude any active fireman from completing the requisite number of years of active service after attaining the age of 55 years as may be necessary to entitle him to the pension as herein provided.

(2) If any fireman dies before attaining the age at which a pension is payable to him under the provisions of this Article, there shall be paid to his widow, or if there be no widow, to his child or children, or, if there be no widow or children, then to his heirs at law as may be determined by the board of trustees or to his estate, if it is administered and there are no heirs, an amount equal to the amount paid in into the fund by said fireman.

(3) If any fireman dies after beginning to receive the pension herein provided for, and before receiving an amount equal to the amount paid into the fund by him, there shall be paid to his widow, or if there be no widow, then to his child or children, or if there be no widow or children, then to his heirs at law as may be determined by the board of trustees, or to his estate, if it is administered and there are no heirs, an amount equal to the difference between the amount paid into the fund by the said fireman and the amount received by him as a pensioner.

(4) Any member withdrawing from the fund shall, upon proper application, be paid all moneys such individual contributed to the fund, provided, if all or any part of the moneys contributed to the fund with respect to such member shall have been paid by any person, firm or corporation other than the member and notification of such action shall have been made to the board of trustees at the time of said contribution and each of them, then, upon proper application, by such other person, firm or corporation, said moneys contributed to the fund shall be paid to such other person, firm or corporation originally contributing the same, upon the withdrawal of said member. (1957, c. 1420, s. 1; 1959, c. 1212, s. 1; 1977, c. 926, s. 2.)

§ 118-27. **Pro rata reduction of benefits when fund insufficient to pay in full.** — If, for any reason, the fund hereby created and made available for any purpose covered by this Article shall be insufficient to pay in full any pension benefits, or other charges thereupon then all benefits or payments shall be proratably reduced for such time and in such amount as such deficiency exists; provided, no claim shall accrue with respect to any amount by which pension or benefit payments shall have been so reduced. (1957, c. 1420, s. 1; 1959, c. 1212, s. 1.)

§ 118-28. **Provisions subject to future legislative change.** — The pensions provided herein shall be subject to future legislative change or revision, and no member of the fund or any person, shall be deemed to have acquired any vested right to any pension or other payment herein provided. (1957, c. 1420, s. 1; 1959, c. 1212, s. 1.)

§ 118-29. **Determination of creditable service; information furnished by applicants for membership.** — The board of trustees shall fix and determine by appropriate rules and regulations the number of years' credit for service of firemen. Firemen who are now serving as such shall furnish the board with information upon applying for membership as to previous service. (1957, c. 1420, s. 1; 1959, c. 1212, s. 1.)

§ 118-30. **Length of service not affected by serving in more than one fire department; transfer from one department to another.** — A fireman's length of service shall not be affected by the fact that he may have served in more than one fire department as defined in G.S. 118-23, and upon transfer from one department to another, notice of such fact shall be given to the board. (1957, c. 1420, s. 1; 1959, c. 1212, s. 1.)

§ 118-31. Effect of member being six months delinquent in making monthly payments. — Any member who becomes six months delinquent in making monthly payments as required by G.S. 118-24 of this Article by the tenth of the month with respect to which said payment shall be due shall forfeit his membership in the fund. (1957, c. 1420, s. 1; 1959, c. 1212, s. 1; 1977, c. 926, s. 3.)

§ 118-32. **Exemption of pensions from attachment, etc.; rights nonassignable.** — The pensions herein provided shall not be subject to attachment, garnishments or judgments against the fireman entitled to same, nor shall any rights in said fund or pensions or benefits therefrom be assignable nor shall the pensions be subject to any State or municipal tax. (1957, c. 1420, s. 1; 1959, c. 1212, s. 1; 1969, c. 486.)

CH. 143A. STATE GOVERNMENT REORGANIZATION

ARTICLE 1.

General Provisions.

§ 143A-6. **Types of transfers.** — (a) Under this Chapter, a type I transfer means the transferring of all or part of an existing agency to a principal department established by this Chapter. When all or part of any agency is transferred to a principal department under a type I transfer, its statutory authority, powers, duties, and functions, records, personnel, property, unexpended balances of appropriations, allocations or other funds, including the functions of budgeting and purchasing, are transferred to the principal department.

When any agency, or part thereof, is transferred by a type I transfer to a principal department under the provisions of this Chapter, all its prescribed powers, duties, and functions, including but not limited to rule making, regulation, licensing, and promulation of rules, rates, regulations, and standards, and the rendering of findings, orders, and adjudications are transferred to the head of the principal department into which the agency, or part thereof, has been transferred.

(b) Under this Chapter, a type II transfer means the transferring intact of an existing agency, or part thereof, to a principal department established by this Chapter. When any agency, or part thereof, is transferred to a principal department under a type II transfer, that agency, or part thereof, shall be administered under the direction and supervision of that principal department, but shall exercise all its prescribed statutory powers independently of the head of the principal department, except that under a type II transfer the management functions of any transferred agency, or part thereof, shall be performed under the direction and supervision of the head of the principal department.

(c) Whenever the term "management functions" is used it shall mean planning, organizing, staffing, directing, coordinating, reporting and budgeting. (1971, c. 864, s. 1.)

APPENDIX K

LEGISLATIVE SERVICES

STATE OF NORTH CAROLINA
DEPARTMENT OF THE TREASURER
RETIREMENT AND HEALTH BENEFITS DIVISION
ALBEMARLE BUILDING
RALEIGH 27611

HARLAN E. BOYLES
STATE TREASURER

W. H. HAMBLETON
DIRECTOR

October 28, 1977

The Honorable Harold W. Hardison
Chairman of the Subcommittee on Retirement Matters
Legislative Research Commission
State Legislative Building
Raleigh, North Carolina

Dear Senator Hardison:

I have received the invitation of the Subcommittee on Retirement Matters through Mr. Terrence D. Sullivan, Counsel for the Subcommittee, to attend and participate in your meeting to be held on November 2, 1977.

Unfortunately, I have a prior commitment to represent the Governor at the Conference on Balanced Growth and Economic Development in Hickory on this same date and will be unable to attend your meeting. I am directing Mr. W. H. Hambleton, a Deputy Treasurer and the Director of the Retirement and Health Benefits Division, to represent me and the Department of State Treasurer at the Subcommittee's meeting.

I understand that a primary duty of the Subcommittee is to make a recommendation as to whether the Law Enforcement Officers' Benefit and Retirement Fund (LEOBRF) and the Firemens' Pension Fund (FPF) should be transferred from the Department of State Auditor to the Department of State Treasurer.

While I am not coming to the Subcommittee to advocate the transfer, I do see and appreciate many of the advantages and economies that may result in the consolidation of the management of the various retirement programs sponsored by State and local government. It is for this reason that we would accept the responsibility and the challenge of the transfer should the Subcommittee in its wisdom elect to recommend the transfer by legislative enactment.

As to the other duties of the Subcommittee to examine a plan to require participation of employer's in the basic benefit fund of the LEOBRF and alternate methods of funding both the LEOBRF and the FPF, I feel these are policy considerations that, after discussion with the affected employers, should be left to the discretion of the General Assembly.

The Retirement and Health Benefits Division includes the Teachers' and State Employees' Retirement System, North Carolina Local Governmental Employees' Retirement System, Uniform Judicial Retirement System, Uniform Solicitorial Retirement System, Uniform Clerks of Court Retirement System, Legislative Retirement Fund, Public Employees' Social Security Agency, and the Division of Health Benefits for Teachers and State Employees.

Please be assured of our complete cooperation and willingness to assist the Subcommittee on Retirement Matters in any way we can.

With highest regards, I am

Sincerely yours,

Harlan E. Boyles

HEB:ebs

CC: Mr. Terrence D. Sullivan
Mr. W. H. Hambleton

APPENDIX L

N. C. FIREMEN'S PENSION FUND

DIVISION
DEPARTMENT OF STATE AUDITOR
116 WEST JONES STREET
RALEIGH, N. C. 27603

APPROPRIATIONS

YEAR	COLLECTIONS FROM 1% PREMIUM TAX ON FIRE INSURANCE CONTRACTS	STATE CONTRIBUTIONS
1961-62	$ 474,765.52	$235,000
1962-63	495,103.61	235,000
1963-64	468,607.09	235,000
1964-65	493,327.03	235,000
1965-66	492,341.51	460,000
1966-67	497,938.25	460,000
1967-68	555,238.62	493,300
1968-69	611,505.58	493,300
1969-70	654,489.01	497,600
1970-71	703,956.42	497,600
1971-72	735,681.92	497,600
1972-73	859,751.51	497,600
1973-74	966,671.00	700,600
1974-75	1,066,116.02	859,751
1975-76	1,195,991.33	882,036
1976-77	1,242,904.53	882,036
	$11,556,368.95	$8,161,423

Total Tax Collections through June, 1977	$11,556,368.95
Total State Contributions (Regular)	8,161,423.00
Plus: Special State Contributions 1973-74	1,885,534.00
Total State Contributions	$10,046,957.00

APPENDIX M

THE HISTORY, FINANCING, BENEFITS, AND THE OPERATION OF THE LAW ENFORCEMENT OFFICERS' BENEFIT AND RETIREMENT FUND

The Law Enforcement Officers' Benefit and Retirement Fund was created by Legislative Act in 1937. Its original purpose was singular - to provide benefits to survivors of law enforcement officers who were killed in line of duty. Subsequent amendments have broadened the scope of the program and the Fund now provides the original death in line of duty benefits, a Retirement Fund, and a Separate Benefit Fund.

Initial legislation creating the Law Enforcement Officers' Benefit Fund provided that, in criminal cases disposed of in the courts of North Carolina, a sum of $.50 be assessed against the defendant. It was further provided that a Board of Commissioners would promulgate rules and regulations under which survivors of law enforcement officers killed in the line of duty would be paid certain benefits. This original purpose of the Fund remains in our current program and presently, benefits thereunder are limited to a total of $2,100 and include partial payment of the funeral expenses of the deceased officer in the amount of $1,000, a widow's allowance of $500, and the sum of $200 on account of each surviving dependent child.

The 1939 session of the General Assembly amended the act to provide that, effective July 1, 1940, the program would expand to provide a retirement income plan for qualified officers. Except for a limited number of very basic provisions, the Board of Commissioners was given the authority and the responsibility of developing the program.

The original retirement division of the program provided for funding by member contributions equal to 3% of gross income and by court cost receipts which were increased to $2.00 per criminal case. Member contributions were increased to 5% in 1948 and to 6% in 1977. Court cost assessments for purposes of the Retirement Fund have not increased since 1940. Retirement benefits for members who retired prior to July 1, 1949 consisted of a money purchase annuity based on the value of the member's personal contributions at retirement plus a pension, based on both membership and prior service credits, and funded by court cost receipts.

Effective July 1, 1949, legislative authority made it possible for members and employers, either or both, to make special contributions for credit to the individual account of the member. Special contributions were restricted to not more than the regular contribution made by the member. All special contributions accumulated at the time of retirement were used to provide a money purchase special pension for the retiree. The legislation provided that, upon the death or withdrawal of a member prior to retirement, any special contributions standing to his credit would be returned to the source from which they came. In 196[illegible], the statute was amended to provide that special contributions, by the member or his employer, could be made retroactively and that total special contributions, both retroactive and subsequent, could be in the aggregate of not more than 15% of the member's compensation.

Since the enabling legislation for special contributions in 1949, an ever increasing percentage of the membership has had special contributions made on its behalf. The rates of special contributions range from 1% to 12% of gross earnings and a significant number of retroactive payments have or are presently being made.

In 1973, the General Assembly recognized the need for a uniform retirement program for all law enforcement officers with an improved level of benefits. As a result, legislation was enacted to authorize the transfers of memberships of law enforcement officers then enrolled in the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System to the Law Enforcement Officers' Benefit and Retirement Fund. The legislation also appropriated funds to cover the liabilities incurred through the acceptance of the transferees and to cover the additional funding requirements resulting from the implementation of an upgraded benefits formula. Legislative appropriations, or a substitute therefor, are, and shall continue to be necessary as the member's contributions, employer's contributions, court costs, and the earnings on investments are inadequate to cover the funding requirements of the present program.

The implementation of the new retirement program providing a higher level of benefits was effective July 1, 1973. The 1977 Session of the General Assembly made several amendments to provide improved benefits. The program now provides for a normal retirement age of 55 and an early retirement age of 50. For normal retirement, a minimum of 10 years of service is required - for early retirement, 15 years is the minimum. Members with one year of service are eligible for disability retirement if a disability results from an accident occurring while in the actual performance of duty. Otherwise, disability retirements require a minimum of ten years of service.

Under the present program, retiring officers receive a basic retirement allowance calculated by formula and funded by regular contributions, court costs, income from investments, and legislative appropriations. Special contributions made by the member or his employer continue to provide a money purchase special pension which is in addition to the member's basic allowance.

The formula for calculating basic ordinary retirement allowances includes the use of a four year average final compensation. One and fifty-five one hundredths per cent of that average is multiplied by the years of service at retirement and, if the member has less than 30 years, that amount is reduced by four per cent for each year that retirement precedes age 55. Basic disability retirement allowances are calculated by multiplying one and fifty-five one hundredths per cent of average final compensation by the years of service that a member would have accumulated, had he remained in service to age 55.

Any member who has had special contributions made for his credit receives, in addition to his base allowance, a special allowance. The special allowance is in the form of a straight life annuity, based on age at retirement and the value of his special contributions account at retirement.

Since July 1, 1975, members of the Law Enforcement Officers' Benefit and Retirement Fund have been permitted to restore withdrawn contributions and to purchase credit for military service. Such an act does, however, require certain employer funding and only a portion of employers are participating in this phase of the program.

The Separate Benefits Division of the Fund was created by an amendment to our statute in 1965. The amendment provided for the funding of the benefits by increasing the court cost assessment by \$1.00. It provided for the payment of a benefit upon the death of an officer and for disability income resulting from the officer's hospitalization or from his temporary disability resulting from accidental injury. Presently, the death benefit paid is \$5,000 and officers are paid benefits at the rate of \$20 per day if hospitalized. If disabled as a result of injury and hospitalization is not required, the officer receives benefits at the rate of \$60 per week.

CONTINUED

1 OF 2

Retired officers who accumulated 20 or more years of creditable service remain eligible for benefits from the Separate Benefit Fund. The benefit paid on account of the death of a retired officer is $3,000 and, until attaining age 65, he remains eligible for hospital benefits at $20 per day.

With reference to your request for my comments on Section 4, Chapter 972 of the 1977 Session Laws,

(1) I am of the opinion that some permanent plan for financing benefits should be provided, but at this time, I do not feel that I am in a position to make a recommendation relative to the source of such funding.

(2) I have no objection to transferring the Law Enforcement Officers' Benefit and Retirement Fund to the office of State Treasurer under a type II transfer, should the legislature see fit to do so.

(3) If some permanent type of funding is not immediately provided, I strongly feel that the legislature should resume its funding of our present requirements that are not covered by member's contributions, earnings on investments, and court costs. This feeling is based on my belief that North Carolina cannot afford to allow the retirement benefits that it provided for law enforcement officers in 1973 to become jeopardized.

(Remarks by Henry L. Bridges, State Auditor, before subcommittee on retirement matters, the Honorable Harold W. Hardison, Chairman, on November 2, 1977).

APPENDIX N

STRUCTURE OF
THE LAW ENFORCEMENT OFFICERS' BENEFIT AND RETIREMENT FUND (LEOB&RF)
G.S. 143-166 11/1/77

Governing Authority G.S. 143-166 (b)

a. Name - Board of Commissioners
Law Enforcement Officers' Benefit & Retirement Fund

b. Membership - Seven Members

c. How Appointed - Three ex officio members (Auditor, Treasurer, & Insurance Commissioner) plus four appointed by and serving at the pleasure of the Governor. (A sheriff, a police officer, a state-employed officer, and a representative of the public at large.)

d. Tenure

Persons Eligible for Membership G.S. 143-166 (m)

All officers employed by the State of North Carolina or any political subdivision thereof, who are clothed with the full power of arrest and whose primary duty is that of enforcing on public property the criminal laws of the State and/or serving civil processes.

Vesting Period G.S. 143-166 (j)

Ten years

Disability Retirement (Rule .0509)

a. Years of Service - 1 year if line of duty - 10 years otherwise.

b. Age - Any age

c. Formula - BASIC ALLOWANCES - 1.55% of AFC times years of service which would have accumulated, had employment continued to age 55, plus a SPECIAL ANNUITY which shall be the actuarial equivalent of special contributions at retirement.

Early Retirement G. S. 143-166 (y)

a. Years of service - 15

b. Age - 50

c. Formula - BASIC ALLOWANCE - 1.55% of Average Final Compensation times years of service, reduced by 1/3 of 1% for each month by which date of retirement precedes 55th birthday, plus a SPECIAL ANNUITY which shall be the actuarial equivalent of special contributions at retirement.

Normal Retirement G. S. 143-166 (y)

a. Years of Service - 10 yrs. at age 55 or any age with 30 yrs. service.

b. Age - As in (a)

c. Formula - BASIC ALLOWANCE - 1.55% of Average Final Compensation times years of service, plus a SPECIAL ANNUITY which shall be the actuarial equivalent of special contributions at retirement.

(Continued)

Death Benefit Formula G.S. 143-166 (t), Rule .0602

Separate Benefit Fund provides a $5,000 benefit at the death of an active participant and a $3,000 benefit at the death of a retired participant.

Investment Committee

No investment committee

By action of the Board of Commissioners, the authority to manage funds was given to the State Treasurer on July 28, 1977.

APPENDIX O

OUTLINE OF FINANCIAL INFORMATION CONCERNING

THE LAW ENFORCEMENT OFFICERS' BENEFIT AND RETIREMENT FUND [a]
(G.S. 143-166)

Page

a = Prepared by the Department of State Auditor

FINANCIAL INFORMATION

LAW ENFORCEMENT OFFICERS' BENEFIT AND RETIREMENT FUND (LEOBRF)

Number of Members

Year	Not Receiving Benefits	Receiving Benefits	Total
1965	2732	317	3049
1966	2886	320	3206
1967	3087	333	3420
1968	3367	346	3713
1969	3602	355	3957
1970	3923	364	4287
1971	4228	382	4610
1972	4644	403	5047
1973	5058	422	5480
1974	5991	480	6471
1975	7046	562	7608
1976	7807	638	8445
1977	8079	691	8770
1978 a	8400	790	9190
1979 a	8800	900	9700
1980 a	9300	1000	10300

a = Projections by the Department of State Auditor

O-2

LEOBRF (Continued)

Contributions

Year	Employee Dollars	Employee % of Salary	State Agencies Dollars	State Agencies % of Payroll	Local Governmental Units Dollars	Local Governmental Units % of Payroll
1965	$ 703 570	5%	$ 283 298	5%	$ 243 832	
1966	769 886	"	319 057	"	371 477	
1967	889 695	"	366 594	"	339 491	
1968	1 029 405	"	412 978	"	407 387	
1969	1 193 038	"	464 650	"	500 302	
1970	1 398 437	"	509 837	"	639 541	
1971	1 630 045	"	562 255	"	798 164	
1972	1 878 870	"	772 039	"	816 317	
1973	2 165 266	"	872 748	"	1 023 593	
1974	2 569 604	"	1 006 230	"	1 287 843	
1975	3 383 627	"	1 188 718	"	1 915 967	
1976	4 351 241	"	1 259 912	"	2 408 572	
1977	4 646 889	"	1 364 218	"	2 756 698	
1978 a	6 100 000	6%	1 500 000	"	3 000 000	
1979 a	6 700 000	"	1 670 000	"	3 330 000	
1980 a	7 400 000	"	1 865 000	"	3 735 000	

Employers may contribute at any rate not to exceed 15% of member's salary. Presently, approximately 250 local employers have officers who are members and employer contribution rates range from 0 to 12% of compensation.

a = Projections by the Department of State Auditor

O-3

LEOBRF (Continued)

Contributions (Continued)

Year	General, Highway & Wildlife Funds Appropriations	Court Costs	Total Contributions
1965	$ 0	$ 909 196	$ 2 139 896
1966	"	1 374 221	2 834 641
1967	"	1 493 760	3 089 540
1968	"	1 735 853	3 585 623
1969	"	1 966 867	4 124 857
1970	"	2 095 149	4 642 964
1971	"	2 089 999	5 080 463
1972	"	2 166 330	5 633 556
1973	"	2 280 874	6 342 481
1974	2 098 929	2 259 669	9 222 275
1975	2 098 929	2 389 715	10 976 956
1976	2 550 685	2 301 040	12 871 450
1977	2 753 944	2 184 037	13 705 786
1978 a	2 565 000	2 200 000	15 365 000
1979 a	1 432 450	2 200 000	15 332 450
1980 a	1 432 450	2 200 000	16 632 450

a = Projections by the Department of State Auditor

LEOBRF (Continued)

Investments

Year	Total Investments	Earnings on Investments	Earnings on Investments as a Percentage of Total Investments	Total Assets
1965	$ 27 777 005	$ 962 820	4.11%	$ 28 111 761
1966	30 925 406	1 107 790	4.26%	31 348 317
1967	34 173 824	1 297 790	4.51%	34 702 553
1968	38 047 015	1 493 123	4.63%	38 669 356
1969	42 352 242	1 767 201	4.90%	43 042 725
1970	47 755 830	2 104 707	5.29%	48 484 274
1971	53 843 104	2 562 246	5.58%	54 677 860
1972	61 159 224	3 130 556	5.83%	62 141 897
1973	68 876 055	3 668 118	6.08%	70 111 745
1974	82 698 147	4 369 118	6.64%	84 395 356
1975	100 594 185	5 772 409	7.01%	102 841 714
1976	121 134 041	8 069 639	7.35%	123 472 876
1977	139 581 790	9 710 366	7.50%	142 432 423
1978 a	158 000 000	11 325 000	7.60%	160 000 000
1979 a	180 000 000	13 000 000	7.70%	183 000 000
1980 a	200 000 000	14 825 000	7.80%	203 000 000

a = Projections by the Department of State Auditor

Disbursements

Year	Retirement Benefits	Refunds	Interest Credited to Members' Accounts	Cost of Administration	Total Payments
1965	$ 371 751	$ 288 270	$ 291 339	$ 41 316	$ 992 676
1966	404 414	404 728	319 213	46 616	1 174 971
1967	452 950	382 525	350 989	57 401	1 243 865
1968	511 273	391 090	388 806	69 359	1 360 528
1969	585 505	457 747	434 355	67 895	1 545 502
1970	673 694	399 454	486 956	80 275	1 640 379
1971	736 202	396 120	558 715	72 780	1 763 817
1972	848 339	586 307	642 267	76 449	2 153 362
1973	941 797	718 979	727 232	72 335	2 460 343
1974	1 167 108	782 267	1 083 002	94 780	3 127 157
1975	1 611 339	1 122 448	1 393 918	104 073	4 231 778
1976	1 996 023	1 027 775	1 766 792	121 726	4 912 316
1977	2 323 102	1 631 514	2 054 705	140 782	6 150 103
1978 a	2 800 000	2 000 000	2 500 000	140 000	7 440 000
1979 a	3 500 000	2 400 000	3 000 000	147 000	9 047 000
1980 a	4 500 000	2 800 000	3 500 000	154 000	10 954 000

a = Projections by the Department of State Auditor

APPENDIX P

GENERAL STATUTES OF NORTH CAROLINA

CH. 143. STATE DEPARTMENTS, ETC.

ARTICLE 12.

Law-Enforcement Officers' Benefit and Retirement Fund. *

§ 143-166. **Law-Enforcement Officers' Benefit and Retirement Fund.** — (a) In every criminal case finally disposed of in the criminal courts of this State, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere and is assessed with the payment of costs, or where the costs are assessed against the prosecuting witness, there shall be assessed against said convicted person, or against such prosecuting witness, as the case may be, three dollars ($3.00) additional cost to be collected and paid over to the Treasurer of North Carolina and held in a special fund for the purposes of this Article. Two dollars ($2.00) of such costs shall be administered under subsections (b) through (q) of this section, and one dollar ($1.00) shall be administered under subsections (r) through (w) of this section. The local custodian of such costs shall monthly transmit such moneys to the State Treasurer, with a statement of the case in which the same has been collected, except that the requirement to submit a statement of the case does not apply in district court counties. The costs assessed under this Article shall not apply to violations of municipal ordinances, unless a warrant is actually issued and served. A county or municipality shall pay no part of the costs or assessments.

Two thirds of the moneys so received shall annually be set up in a special fund to be known as "The Law-Enforcement Officers' Benefit and Retirement Fund."

(b) For the purpose of determining the recipients of benefits under this section and the amounts thereof to be disbursed and for formulating and making such rules and regulations as may be essential for the equitable and impartial distribution of such benefits to and among the persons entitled to such benefits, there is hereby created a board to be known as "The Board of Commissioners of the Law-Enforcement Officers' Benefit and Retirement Fund," which shall consist of the State Auditor, who shall be chairman ex officio of said Board, the State Treasurer, the State Insurance Commissioner, and four members to be appointed by the Governor and to serve at his will, one of whom shall be a sheriff, one a police officer, one from the group of law-enforcement officers as hereinafter defined, employed by the State, and one representing the public at large. No member of said Board of Commissioners shall receive any salary, compensation or expenses other than that provided in G.S. 138-5 for each day's attendance at duly and regularly called and held meetings of the Commission, the total of which meetings for which per diem may be allowable as herein provided not to exceed eight meetings in any one year. Four members of said Board shall constitute a quorum at any of said meetings, and no business shall be transacted unless a quorum be present. Ex officio members shall not receive any per diem.

(c) As soon as is practicable after March 13, 1941, and after the appointment of the four members herein authorized to be appointed by the Governor, the organization of said Board shall be perfected by the selection from its members of a vice-chairman, and secretary, to serve for a term of one year and until their successors shall have been elected and qualified, and by the selection by the Board, by a majority vote, of such employees as in the opinion of the Board, with the approval of the Governor, may be necessary for the proper handling of the business of the Board of Commissioners, such employee or such employees to hold office at the will of the Board of Commissioners. No employee of the Board of Commissioners shall during the period of such employment or during any leave of absence therefrom hold any public office, be a candidate for any public office, or engage in any political activity whatsoever for or on behalf of any candidate for public office, either in the primary or election. The violation of the restriction herein contained against political activity shall subject such employee to immediate discharge; and any such employee who shall use any funds of the Commission for political purposes or shall incur any expense whatsoever in connection with any political activity, paid or payable out of the funds of said Commission, shall be guilty of a misdemeanor and upon conviction thereof shall be punishable as provided by law in the case of misdemeanors. Nothing herein contained shall prevent any employee from exercising his individual right of franchise in any primary or election. Nothing in this section shall affect the right of any employee of said Commission who is at present a member of the General Assembly from continuing as such member for the duration of such present term.

(d) The said Board of Commissioners shall have control of all payments to be made from such fund. It shall hear and decide all applications for compensation and for retirement benefits created and allowed under this Article, and shall have power to make all necessary rules and regulations for its administration and government, and for the employees in the proper discharge of their duties; it shall have the power to make decisions on applications for compensation or retirement benefits and its decision thereon shall be final and conclusive and not subject to review or reversal, except by the Board itself; it shall cause to be kept a record of all its meetings and proceedings. Any person who shall willfully swear falsely in any oath or affirmation for the purpose of obtaining any benefits under this Article, or the payment thereof, shall be guilty of perjury and shall be punished therefor as provided by law. The Board of Commissioners shall have authority to determine the membership eligibility or status of any member or applicant of any and all of those who come within the categories of law-enforcement officers named in subsection (m) of this section in accordance with general rules and regulations adopted by the Board and the decision of the Board of Commissioners as to such membership eligibility or status shall be final.

(e) There shall be kept in the office of the said Board of Commissioners by the secretary, records which shall give a complete history and record of all actions of the Board of Commissioners in granting benefits, including retirement benefits, to peace officers as herein defined; such records shall give the name, date of the beginning of his service as a peace officer, and of his incapacity and the reason therefor. All records, papers, and other data shall be carefully preserved and turned over to the succeeding officers or Board members.

(f) On or before the first day of January of each year the said Board of Commissioners shall make to the Governor of the State of North Carolina a verified report containing a statement of all receipts and disbursements, together with the name of each beneficiary, and the amount paid to each beneficiary, for or on account of such fund. There shall be annually made by the State Auditor's Department a complete audit and examination of the receipts and the disbursements of the Board of Commissioners herein created.

(g) The Board of Commissioners of the said fund may take by gift, grant, devise, or bequest, any money, real or personal property, or other things of value and hold or invest the same for the uses of said fund in accordance with the purposes of this Article. And the Board shall have the authority to invest and reinvest any funds not immediately needed in any of the following:

(1) Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States;

(2) Obligations of the federal intermediate credit banks, federal home loan banks, Federal National Mortgage Association, banks for cooperatives, and federal land banks;

(3) Obligations of the State of North Carolina;

(4) General obligations of other states of the United States;

(5) General obligations of cities, counties, and special districts in North Carolina;

(6) Obligations of any corporation within the United States if such obligations bear either of the three highest ratings of at least two nationally recognized rating services;

(7) Notes secured by mortgages on real estate located within the State of North Carolina and insured by the Federal Housing Commissioner, or his successor or assigns, or in debentures issued by such Commissioner, which are guaranteed as to principal and interest by the United States or by the Federal Housing Administration, an agency of the United States government, or by some other agency of the United States government;

(8) In certificates of deposit in any bank or trust company authorized to do business in North Carolina in which the deposits are guaranteed by the Federal Deposit Insurance Corporation not to exceed the sum of ten thousand dollars ($10,000) in any one bank or trust company; and

(9) In the shares of federal savings and loan associations and State chartered building or savings and loan associations in which deposits are guaranteed by the Federal Savings and Loan Insurance Corporation, not to exceed fifteen thousand dollars ($15,000) in any one of such associations.

Subject to the limitations set forth above, said Board shall have full power to hold, purchase, sell, assign, transfer and dispose of any of the securities and investments in which any of the funds created herein shall have been invested, as well as the proceeds of said investments and any moneys belonging to said funds.

(h) In case the amount derived from the different sources mentioned and included in this Article shall not be sufficient at any time to enable the said Board of Commissioners to pay each person entitled to the benefits therefor, in full, the compensation granted, or the retirement benefit allowed, then an equitably graded percentage of such monthly payment or payments shall be made to each beneficiary until said fund shall be replenished sufficiently to warrant the resumption thereafter of such compensation or retirement benefit to each of said beneficiaries.

(i) The Board of Commissioners herein created shall have power and authority to promulgate rules and regulations and to set up standards under and by which it may determine the eligibility of officers for benefits under this Article, payable to peace officers who may be killed or become seriously incapacitated while in the discharge of their duty; such rules, regulations and standards shall include the amount of the benefits to be paid to the recipient in case of incapacity to perform his duty, as well as the amount to be paid such officer's dependents in case such officer is killed while in the discharge of his duty. The said Board is also authorized to promulgate rules and regulations and set up standards under and by which officers may be eligible for retirement and to determine the amounts to be paid such officers as retirement benefits after it has been determined by the Board that such officers are so eligible.

In order for an officer to be eligible for retirement benefits under this Article, he shall contribute into the fund herein created six percent (6%) of his compensation received for each pay period beginning on or after July 1, 1977. Such rate shall apply uniformly to all members of the Law-Enforcement Officers' Benefit and Retirement Fund, without regard to their coverage under the Social Security Act. The mode of payment to the fund shall be determined by the Board of Commissioners. Provided, that any officer so contributing to the fund herein created, who has become incapacitated in the line of duty, shall not be required to contribute to the fund during the period of his disability. All peace officers as herein defined who are compensated on a fee basis, before they shall be eligible to participate in the retirement fund herein provided for, shall pay into the fund a monthly amount to be determined by the said Board, based upon such officer's average monthly income.

The Board of Commissioners shall have the authority to formulate and promulgate rules and regulations under which any county, city, town or other subdivision of government in whose behalf any member performs service as a law-enforcement officer, or any member, may, and is hereby authorized to, elect to pay into the fund for credit to the individual account of such member any one or more of the following:

(1) An amount which, when taken with any additional amount which may be permitted by the Board to be paid on behalf of such member, shall not exceed in any year fifteen percent (15%) of such member's compensation; and
(2) A sum not to exceed three times the value of prior service of such member as determined by the Board of Commissioners; and
(3) A sum not to exceed ten percent (10%) of gross salary that would have been paid to the retiring member, had he been compensated for all accumulated sick leave at the time of retirement, which amount would be in lieu of any other compensation for accumulated sick leave;

such amounts so paid shall be accumulated in the individual account of such member at such rate of interest as the Board of Commissioners may from time to time determine and shall, upon retirement of such member be used to provide such additional benefits as the Board of Commissioners shall determine on the basis of the tables and rate of interest last adopted by the Board of Commissioners for this purpose: Provided, however, that the amounts paid under this provision by any county, city, town, or other subdivision of government shall revert to said county, city, town or other subdivision of government upon the death or withdrawal from the fund of a member for whom such amounts were paid. The sums paid by any county, city, town or other subdivision of government as additional payments are hereby declared to be for a public purpose.

It shall be the duty of the State of North Carolina to finance and contribute, for the benefit of each member employed by the State as a law-enforcement officer, a five percent (5%) contribution and a sum not to exceed ten percent (10%) of gross salary that would have been paid to the retiring member, had he been compensated for all accumulated sick leave at the time of retirement, which amount would be in lieu of any other compensation for accumulated sick leave. Such contribution or financing on the part of the State shall be on a percentage basis and shall be credited to the individual account of such member, and upon the death or withdrawal from the fund of a member such sums credited to that individual member's account shall revert to the general fund or Highway Fund or Wildlife Fund of the State of North Carolina according to the source of the original appropriation. The Board of Commissioners are hereby authorized to formulate and promulgate additional rules and regulations for the administration of the amounts herein authorized to be appropriated. There is hereby appropriated from the general fund of the State for those law-enforcement officers whose salary is paid out of the general fund, and from the Highway Fund of the State for those law-enforcement officers whose salary is paid out of the Highway Fund appropriation in such amount as may be necessary to pay the State's share of the cost of the financing of this provision for the biennium 1949-51. Such appropriation shall be made at the same time and manner as other State appropriations and in the sums and amounts as determined by the Board of Commissioners: Provided, that this provision as to the financing of a member's prior service and the cost of matching contribution on the part of the State of North Carolina shall apply only to those members who are law-enforcement officers of the State of North Carolina and its departments, agencies and commissions and who would be eligible for membership in the Teachers' and State Employees' Retirement System provided by Chapter 135 of the General Statutes of North Carolina but for the fact that said officers are members of the Law-Enforcement Officers' Benefit and Retirement Fund.

(j) All officers who have contributed to the Retirement Fund herein provided for, and who have at least 15 years of creditable service in the fund, shall be eligible for reduced retirement benefits at age 50. The Board of Commissioners is authorized, under the rules and regulations promulgated by it, to determine when an officer has accumulated at least 15 years of creditable service, and it shall not be necessary that the member be actively employed as an officer at the time of his application for retirement benefits.

All officers who have contributed to the Retirement Fund herein provided for, and who have at least 10 years of membership service in the fund, shall be eligible for retirement benefits at age 55. The Board of Commissioners is authorized, under the rules and regulations promulgated by it, to determine when an officer has accumulated at least 10 years of membership service, and it shall not be necessary that the member be actively employed as an officer at the time of his application for retirement benefits.

(k) The Board of Commissioners is authorized and empowered in its discretion, upon a finding that any officer who has contributed to the retirement fund herein provided for has been discharged from the service through no fault of his own, to reimburse from the fund herein created an amount not to exceed that which such officer has contributed to the fund under the provisions of subsection (i) of this section.

(l) No officers as herein defined shall be eligible to the retirement benefits herein provided for until the expiration of five years from the date of the ratification of this Article.

(m) "Law-enforcement officers" in the meaning of this Article shall mean all officers employed by the State of North Carolina or any political subdivision thereof, who are clothed with the full power of arrest and whose primary duty is that of enforcing on public property the criminal laws of the State and/or serving civil processes. The term "law-enforcement officers," for purposes of participating in this fund and for receiving benefits under this section, includes otherwise qualified persons who are members of the fund and who are participating in an intergovernmental exchange of personnel under Article 10 of Chapter 126 provided the requirements of Article 10 of Chapter 126 are met; provided further, that a member participating in an intergovernmental exchange of personnel under Article 10 of Chapter 126 shall be entitled to any death benefits to which he would otherwise be entitled regardless of whether he and his employers are making contributions to the member's account during the exchange period except that no duplicate benefits shall be paid.

(n) Each justice of the peace required to assess and collect the additional cost provided for in this law shall, on or before the first day of each month, transmit such cost so collected, giving the name of the case in which such cost was taxed, to the clerk of the superior court of the county in which such case was tried, who will forthwith remit such funds to the Treasurer of the State of North Carolina as in all other cases. Failure of any justice of the peace to comply with the terms of this subsection shall make such justice of the peace liable for removal from office by the resident judge of the judicial district in which such action was tried.

(o) No State employees participating in the retirement benefits of this Article shall be eligible to participate in the retirement benefits provided by Public Laws, 1941, Chapter 25, known as "The Teachers' and State Employees' Retirement System Act."

(p) No State employee participating in the retirement benefits of this article shall be eligible to participate in the retirement benefits provided by "The Teachers' and State Employees' Retirement System Act," G.S. 135-1 et seq.

(q) The right of a person to a pension, an annuity, or a retirement allowance, to the return of contributions, the pension, annuity, or retirement allowance itself, any optional benefit or any other right accrued or accruing to any person under the provisions of this section, and the moneys in the various funds created by this section, are hereby exempt from any State or municipal tax, and exempt from levy and sale, garnishment, attachment, or any other process whatsoever, and shall be unassignable except as in this section specifically otherwise provided.

(r) One third of the sum derived from the court costs provided for in subsection (a) of this section shall be set aside and held in a separate fund, designated as "Separate Benefit Fund," to be used for the payment of benefits as hereinafter provided.

(s) The Board of Commissioners shall have control of all payments to be made from the "Separate Benefit Fund." It shall hear and decide all applications for benefits created and allowed under this subsection, and shall have power to make all necessary rules and regulations for its administration and government, and for the employees in the proper discharge of their duties, and it shall have the power to make decisions on applications for benefits and its decision thereon shall be final and conclusive and not subject to review or reversal, except by the Board itself. The Board of Commissioners shall have authority to determine the eligibility or status of any applicant of any and all of those who come within the categories of law-enforcement officers named in subsection (m) of this section, in accordance with general rules and regulations adopted by the Board, and the decision of the Board of Commissioners as to such membership, eligibility or status shall be final.

(t) The Board of Commissioners shall have power and authority to promulgate rules and regulations and to set up standards under and by which it may determine eligibility for benefits under this subsection, of a law-enforcement officer, (as defined in this section) and to determine the amounts to be paid after it is determined by the Board that such officer is eligible. Notwithstanding the foregoing, no person shall be eligible for benefits hereunder unless he is in active service as a law-enforcement officer at the occurrence of a contingency for which benefits may be payable, or unless he has retired from such service on or after July 1, 1965. Eligibility shall be determined without regard to whether or not an officer is a member of the retirement fund established by this section. Benefits may be provided by the Board, within the availability of funds, as follows:

(1) A lump sum payable to the designated beneficiary upon the death of an eligible officer;

(2) Hospital, surgical, and medical benefits covering eligible officers, their legal spouses, and their dependent children under 18 years of age.

(u) The benefits provided for in subsection (t) of this section shall be in addition to all benefits provided for in subsections (b) through (q) of of this section.

(v) If the amount derived from the increase in court costs provided by this section shall not be sufficient at any time to enable the Board of Commissioners to pay each person entitled to benefits in full, then an equitably graded percentage of such payment or payments shall be made to each beneficiary until the "Separate Benefit Fund" is replenished sufficiently to warrant resumption thereafter of full benefits to each of said beneficiaries.

(w) "Local fund" shall mean any local pension fund, or local benefit fund, or local association established before July 1, 1965, under authorization of law and operated to provide benefits for law-enforcement officers of any political subdivision within the year beginning July 1, 1965.

At such date as the Board of Commissioners may determine, but not later than September 30, 1966, the Board may, but need not, cause to be paid from the "Separate Benefit Fund" to a local fund a portion of the income previously received by the "Separate Benefit Fund" within the year beginning July 1, 1965, from court costs collected in the political subdivision and to whose officers such local fund has provided benefits. Such portion, if any, shall be determined in the sole discretion of the Board of Commissioners, after its review of any pertinent information which shall be furnished by such political subdivision at the request of such Board, and after its review of the operation and experience of the "Separate Benefit Fund" to June 30, 1966, or, if earlier, to the date of such determination. Any decision or action hereunder by the Board of Commissioners shall be final and conclusive.

(x) Notwithstanding any of the foregoing provisions, the benefits to each beneficiary on the retirement rolls as of June 30, 1977, shall be increased by five percent (5%) of the benefits being received by each such beneficiary as of June 30, 1977.

(y) Notwithstanding any of the foregoing provisions, a member upon retirement in accordance with subsection (1) of Section 5 of Rules and Regulations incorporated and effected July 1, 1973, by the Board of Commissioners of the Law-Enforcement Officers' Benefit and Retirement Fund, shall receive a basic service retirement allowance equal to one and fifty-five one-hundredths percent (1.55%) of his average final compensation, multiplied by the number of years of his creditable service, and reduced by one third of one percent ($^1/_3$ of 1%) for each month by which his date of retirement precedes his fifty-fifth birthday, except that no such reduction in the basic service retirement allowance shall apply to any member who has 30 or more years of creditable service at the time of his retirement, and any member who retires with 30 or more years of creditable service shall be considered eligible for benefits at any age.

Any member upon retirement in accordance with subsection (3) of Section 5 of Rules and Regulations incorporated and effected July 1, 1973, by the Board of Commissioners of the Law-Enforcement Officers' Benefit and Retirement Fund shall receive a basic disability retirement allowance equal to one and fifty-five one-hundredths percent (1.55%) of his average final compensation multiplied by the number of years of creditable service which he would have had if he had continued in service until his fifty-fifth birthday. Average final compensation shall mean the average annual compensation of a member during the four consecutive years of membership service (48 consecutive employment months) that produce the highest average annual compensation. (1937, c. 349, s. 9; 1939, c. 6, ss. 2, 3; c. 233; 1941, cc. 56, 157; 1943, c. 145; 1949, c. 1055; 1951, c. 382; 1953, c. 883; 1957, c. 839; c. 846, s. 2½; 1961, c. 397; 1963, cc. 144, 939, 953; 1965, c. 351, ss. 1, 2; 1967, c. 691, s. 52; c. 943; 1971, c. 80, ss. 1, 2; c. 837, s. 6; c. 1235; 1973, c. 931; 1977, c. 783, s. 4; c. 1090.)

APPENDIX Q

(919) 688-8913

CHARLES R. DILTS ASSOCIATES
CONSULTING ACTUARIES
EMPLOYEE BENEFIT CONSULTANTS

GUARANTY STATE BANK BUILDING
DURHAM, NORTH CAROLINA 27701

April 10, 1978

Mr. Terrence D. Sullivan, Committee Counsel
Legislative Research Commission
Subcommittee on Retirement Matters
State Legislative Building
Raleigh, North Carolina 27611

Dear Mr. Sullivan:

Re: Study on Law Enforcement Officers
Benefit and Retirement Fund (LEOBRF)

In response to your request I am furnishing updated estimates of the annual costs for funding benefits for LEOBRF members. These estimates are as follows, based on 25-year funding of the accrued liability:

No change in benefits	1977-78	1978-79	1979-80
1- Estimated employer cost	$4,696,600	$5,158,562	$5,697,518
2- Less: court costs	$1,450,000	$1,450,000	$1,450,000
3- Net employer cost	$3,246,600	$3,708,562	$4,247,518
4- Net as pct. of payroll	3.35%	3.48%	3.61%
5- Local units' share	$2,272,620	$2,595,993	$2,973,263

For the proposed increased benefits described in the above Study and in Appendix A, the total estimate of annual costs based on 25-year funding of the accrued liability is as follows:

With change in benefits	1977-78	1978-79	1979-80
1- Estimated employer cost	$6,350,925	$6,907,730	$7,559,865
2- Less: court costs	$1,450,000	$1,450,000	$1,450,000
3- Net employer cost	$4,900,925	$5,457,730	$6,109,865
4- Net as pct. of payroll	4.53%	4.66%	4.79%
5- Local units' share	$3,430,647	$3,820,411	$4,276,905

The above figures incorporate the data from the Buck valuation as of June 30, 1977, and from the Buck Memorandum dated March 23, 1978, and therefore must be considered currently more reliable than the figures projected in our Study of February, 1978, and Appendix A, which were extrapolations of the Auditors and Accountants Reports. If the figures were adjusted to reflect a 30-year amortization of the accrued liability, the reductions in net employer cost on line 3 would be approximately 2.1%.

Sincerely,

Charles R. Dilts

Charles R. Dilts

CRD/lsd

APPENDIX R

Mr. Chairman and Members of the Committee, my name is Bob Pruett and I was elected to represent the Council of Law Enforcement Officers Association.

Since the Council is rather new, let me explain to you how it was formed. The members of the Council are composed of the President and one member from the various law enforcement officers associations throughout the State. There are presently 15 law enforcement officers associations.

The Council met on Thursday, April 6, 1978, and had a lengthy discussion regarding retirement benefits of law enforcement officers. I will try to relate to you the sentiments of this group. I feel sure that other people interested in our retirement fund have spoken to you about the history of the Law Enforcement Officers Retirement Fund. Therefore, I will not go into detail at this time. I feel, however, that a brief description of the financial structure of the fund is necessary to understand it thoroughly. Listed below is a table indicating the financial structure of the fund.

1.55% Formula	Supplemental Annuity	Separate Benefit Fund
Financed by 6% contribution by employee	Financed by contributions from employer	Financed by $1.00 from court cost
$2.00 from court cost		
Interest on investments		
Legislative Appropriations		

There has been considerable discussion regarding the funding for the retirement benefits of law enforcement officers. Some of these discussions have produced ideas that are both good and bad. The Council of Law Enforcement Officers Association would like to relate to you their concerns regarding the funding of this program.

First and foremost should be the protection of the retirement benefits of those people presently in the system and the Council is opposed to any change that would reduce those benefits now or at some future date.

One suggestion that has been made is to require counties and municipalities to participate in the funding of the retirement system. We are not opposed to this type of funding if it can be accomplished so those officers presently in the system would not lose any of their current benefits.

One of the methods suggested to finance the law enforcement officers retirement program would be to assess a fee of $2.00 on each license plate sold in North Carolina. The monies derived from this should be adequate to fund the system as it is now established with a surplus each year which could be used for cost of living increases for retired members.

In 1977 the Division of Motor Vehicles sold a total of 4,610,000 license plates. With a charge of $2.00 per license plate, this would generate $9,220,000 annually. If the $2.00 additional license fee assessed with designation of the money to be explicitly in the Law Enforcement Officers Benefit and Retirement Fund, it should eliminate all monies that are being appropriated by the Legislature with the exception of the matching funds of those officers employed by the State.

Some may question the use of taxes from license plate fees in the retirement fund; however, we feel it should be pointed out that every law enforcement officer in North Carolina is charged with the responsibility of enforcing the motor vehicle traffic laws. In addition a motor vehicle is used in almost every crime, or may be used in the crime itself, and in at least 10,000 instances last year, the theft of the automobile was the crime.

It is unfortunate that our committee does not have the necessary personnel and resources to conduct adequate research surveys to compare the funding of our retirement system with those in other states. However, by word of mouth in talking to our fellow officers in other states, we have learned that in some instances that law enforcement officers retirement funds are financed by tax revenues from license plate fees, a surcharge on liability, burglary, comprehensive, and other types of insurance. It should be pointed out here that the firemen's pension fund in North Carolina is partially financed by a surcharge on fire insurance policies.

Therefore, we feel that the $2.00 assessment on license plates would not only be a reasonable tax, it would be a fair and equitable tax, and would generate the necessary revenues to develop a better retirement system and one which would be actuarially sound.

Even though Congress has just passed a retirement bill raising the mandatory retirement age to 70 and eliminating the retirement age for federal employees, there seems to be developing a national trend with early retirement for police officers. Although this necessarily applies to all police officers, it is primarily aimed at line officers who continue to perform the police functions. The first consideration in establishing early retirement is that police work puts serious and unusual demands upon the cardiovascular systems and the musculoskeletal systems. It is more demanding physically, emotionally, and psychologically.

It requires the individual to be under frequent pressure, although crisis situations are not constant, every officer must be able to respond. There may be some who can do so as ably at 55 as they could at 25, but these are exceptions. It is recognized that one's physical abilities decline and this could prove dangerous in police work.

A related consideration is based on the number of hours. The police shift is eight hours duration, but a police officer is often called upon to work longer. Increased activity in the community (i.e. demonstrations, community meetings, etc.), require officers to work extra shifts. This creates a further stress on older officers. The courts, who usually use rational, reasonable considerations, are ruling more in favor of early retirement. In the case of Massachusetts vs. Murgia, the U.S. Supreme Court said that the age limit of police officers had a rational relation to a legitimate state interest, that of assuring the public of a police force capable of protecting the public. The Supreme Court further held that since "physical ability generally declines with age", the earlier age retirement serves to remove from police service, "those whose fitness for enforcement work presumptively has diminished with age."

A final factor is that of present day fitness. Entry level requirements for police work are constantly improving and becoming more stringent. These requirements include education, psychological stress, physical and emotional fitness, adaptability and etc. It is doubtful that most officers at age 55 would qualify.

Gentlemen, in closing, let me assure you that we in the law enforcement community will cooperate in any way possible to assist you in obtaining a workable solution to the retirement of law enforcement officers. Those people who have made law enforcement a career and have contributed 30 to 40 years of their life to the service of others certainly deserve a decent retirement.

(919) 688-8913

CHARLES R. DILTS ASSOCIATES
CONSULTING ACTUARIES
EMPLOYEE BENEFIT CONSULTANTS

GUARANTY STATE BANK BUILDING
DURHAM, NORTH CAROLINA 27701

April 10, 1978

Mr. Terrence D. Sullivan, Committee Counsel
Legislative Research Commission
Subcommittee on Retirement Matters
State Legislative Building
Raleigh, North Carolina 27611

Dear Mr. Sullivan:

Re: LEOBRF 33rd Annual Valuation Report

The statement on page 16 of the above Report, that the practice of applying excess interest to meet part of the required contribution "grossly understates the long term cost of the benefits", is an exaggeration. If the normal cost after deduction of the court costs is $1,965,709 and the total State contribution is $2,753,944, then $788,235 is available to apply to the unfunded liability of $16,392,409, according to the Valuation Report. The actual long term cost can only be determined retrospectively.

It is significant to note that the Employee Retirement Income Security Act of 1974 requires the utilization of reasonable and realistic valuation assumptions. The actuarial gain in the LEOBRF Fund clearly indicated that a 5% valuation interest rate was low and that in combination the valuation assumptions would produce a substantial actuarial gain.

I should recommend that in the future the valuation report furnished to the General Assembly be accompanied by a gain and loss analysis, which will compare the actual to the expected experience of the Fund. I should also recommend that the valuation with the gain and loss analysis be scheduled for preparation so as to be available to the General Assembly in advance of the opening of the session in which appropriations are to be considered.

Sincerely,

Charles R. Dilts

Charles R. Dilts

CRD/lsd

SESSION 1977 LEGISLATIVE PROPOSAL I

INTRODUCED BY:

Referred to:

A BILL TO BE ENTITLED

AN ACT TO TRANSFER THE LAW ENFORCEMENT OFFICERS' BENEFIT AND RETIREMENT FUND FROM THE DEPARTMENT OF STATE AUDITOR TO THE DEPARTMENT OF STATE TREASURER.

The General Assembly of North Carolina enacts:

Section 1. A new section is added to Article 4 of Chapter 143A of the General Statutes to read as follows:

"§143A-38.1. The Law Enforcement Officers' Benefit and Retirement Fund; transfer.--The Law Enforcement Officers' Benefit and Retirement Fund, as contained in Article 12 of Chapter 143 of the General Statutes and the laws of this State, is hereby transferred by a type II transfer to the Department of State Treasurer."

Sec. 2. G.S. 143A-28 is repealed.

Sec. 3. G.S. 143-166(b), as it appears in the 1978 Replacement to Volume 3C of the General Statutes, is amended in the first sentence by deleting the words "shall consist of the State Auditor, who shall be chairman ex officio of said Board, the State Treasurer" and by inserting in lieu thereof the following: "shall consist of the State Treasurer, who shall be chairman ex officio of said Board, the State Auditor".

Sec. 4. This act shall become effective on July 1, 1978.

SESSION 1977 PUBLIC: LEO BENEFITS LEGISLATIVE PROPOSAL II

INTRODUCED BY:

Referred to:

A BILL TO BE ENTITLED

AN ACT TO AMEND G.S. 143-166, REGARDING THE LAW ENFORCEMENT OFFICERS' BENEFIT AND RETIREMENT FUND, TO REQUIRE FUNDING OF LOCAL GOVERNMENTAL EMPLOYEES' BASIC BENEFITS BY LOCAL GOVERNMENTAL UNITS AND TO INCREASE BENEFITS TO MORE NEARLY PARALLEL THOSE CONTAINED IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

Section 1. G.S. 143-166(i), as found in the 1978 Replacement to Volume 3C of the General Statutes, is amended by adding three new paragraphs to read as follows:

"Not later than April 1st of each year, the Board of Commissioners shall set for the next fiscal year a single annual contribution rate for all employers of in-service members of the Law Enforcement Officers' Benefit and Retirement Fund. The Board of Commissioners, in its discretion, may change the annual contribution rate because of changed conditions. The annual contribution rate shall be equal to a percentage of the actual compensation of each member which will fund the benefits, excluding any additional benefits authorized by the third and fourth paragraphs of this subsection, under the Law Enforcement Officers' Benefit and Retirement Fund for all members and which will eliminate the accrued liability of those benefits of that Fund within no greater than a thirty-year period.

"The State, each county, city, town or other subdivision of government employing active members of the Law Enforcement Officers' Benefit and Retirement Fund shall pay monthly into that Fund the amount equal to the annual contribution rate multiplied by the total monthly compensation of those members it employs. The Board of Commissioners shall establish the manner of making these payments by the adoption of necessary and reasonable rules and regulations.

"Any board of county commissioners, city or town council, or governing body of any other subdivision of government which is required to make payments by this subsection and which fails to do so may be compelled to make the required payments by a writ of mandamus. The Board of Commissioners of the Law Enforcement Officers' Benefit and Retirement Fund shall seek a writ of mandamus to compel the required payments in the General Court of Justice, Superior Court Division of Wake County."

Sec. 2. G.S. 143-166(j), as the same is found in the 1978 Replacement to Volume 3C of the General Statutes, is rewritten to read as follows:

"(j) Any member who no longer is a law enforcement officer, who has completed fifteen (15) or more years of creditable service, who leaves his total accumulated contributions in the Law Enforcement Officers' Benefit and Retirement Fund, and who is fifty (50) years of age or older, shall have the right to apply for and receive a deferred retirement allowance. Any member who no longer is a law enforcement officer, who has five

(5) or more years of creditable service, who leaves his total accumulated contributions in the Law Enforcement Officers' Benefit and Retirement Fund, and who is fifty-five (55) years of age or older, shall have the right to apply for and receive a deferred retirement allowance. The deferred retirement allowance shall be computed in the same manner as is the basic service retirement allowance set forth in G.S. 143-166(y)."

Sec. 3. G.S. 143-166(m) as is found in the 1978 Replacement to Volume 3C of the General Statutes is amended by adding a new paragraph to read as follows:

"Notwithstanding any other provision of law, a member of the Law Enforcement Officers' Benefit and Retirement Fund, who is not employed by the State or by any political subdivision thereof, shall be ineligible to contribute to that Fund or to gain creditable service in the Fund on or after July 1, 1979."

Sec. 4. G.S. 143-166 is amended by adding a new subsection (xl) to read as follows:

"(xl) As of December 31 of each year, the Board of Commissioners shall determine the ratio of the Consumer Price Index to that index of the previous year. Each beneficiary receiving a basic service retirement allowance, a basic disability retirement allowance or an alternative to those allowances as of July 1 of the year of determination shall be entitled to have his allowance increased effective on July 1 of the year following the year of determination by the same percentage increase indicated by the ratio calculated to the nearest tenth of one percent (1/10 of 1%); provided, however, that increase:

(1) shall not exceed four percent (4%) in any one year; and

(2) shall be limited to fifty percent (50%) of the annual actuarial gain of the Law Enforcement Officers' Benefit and Retirement Fund.

For purposes of this subsection, Consumer Price Index shall mean the Consumer Price Index (all items--United States city average), as published by the United States Department of Labor, Bureau of Labor Statistics."

Sec. 5. G.S. 143-166(y), as is found in the 1978 Replacement to Volume 3C of the General Statutes, is rewritten to read as follows:

"(y) Any member in service may retire on a basic service retirement allowance according to the formula set forth below:

(1) who has attained fifty (50) years of age and who has completed fifteen (15) or more years of creditable service;

(2) who has completed thirty (30) or more years of creditable service; or

(3) who has attained fifty-five (55) years of age.

Notwithstanding any other provision of law, a member eligible to retire under this subsection shall receive a basic service retirement allowance equal to one and fifty-five one hundredths percent (1.55%) of his average final compensation, multiplied by the number of years of his creditable service, and reduced by one third of one percent (1/3 of 1%) for each month by which his date of retirement precedes his 55th birthday, except that no reduction in the basic service retirement allowance shall apply to any member who has 30 or more years of creditable service at the time of his retirement.

Any member, who is less than fifty-five (55) years old, who has had five (5) or more years of creditable service and who has been totally and permanently incapacitated for duty; or any member who is less than fifty-five (55) years old, who has completed one year of membership service and who has been totally and permanently incapacitated for duty as the natural and proximate result of an accident occurring while in the actual performance of duty at some definite time and place may, upon application of the member or his employer, be retired by the Board of Commissioners on the basic disability retirement allowance as is set forth below. The Board of Commissioners shall not grant a basic disability retirement allowance to any individual for whom application for disability retirement is received more than a year after the onset of incapacity for duty or, if the individual is in receipt of compensation from his employer for more than one year for the disability, more than 30 days after the cessation of that compensation.

Any member eligible for a disability retirement shall receive a basic disability retirement allowance equal to one and fifty-five one hundredths percent (1.55%) of his average final compensation multiplied by the number of years of creditable service which he would have had if he had continued in service until his 55th birthday.

The terms "average final compensation", "creditable service", "member", and "membership service" as used in this section have the same meanings as they have in Chapter 2 Title 3 of the North Carolina Administrative Code, The Law Enforcement Officers' Benefit Retirement Fund, as it existed on October 15, 1977.

The Board of Commissioners shall implement the provisions of this subsection by the adoption of necessary and reasonable rules and regulations.

Sec. 6. G.S. 143-166 is amended by adding a new subsection (z) to read as follows:

"(z) Upon receipt of proof, satisfactory to the Board of Commissioners of the death, in service, of a member who had completed at least one full calendar year of membership in the Law Enforcement Officers' Benefit and Retirement Fund, there shall be paid to such person as he shall have nominated by written designation duly acknowledged and filed with the Board of Commissioners, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit. The death benefit shall be equal to the greater of:

(1) The compensation on which contributions were made by the member during the calendar year preceding the year in which his death occurs, or

(2) The compensation on which contributions were made by the member during the 12-month period ending on the last day of the month preceding the month in which his death occurs, or

(3) If the member had applied for and was entitled to receive a disability retirement allowance and such disability retirement allowance had not been discontinued or revoked within 366 days of his last date of actual service, the compensation on which contributions were made by the member

during the 12-month period ending on the last day of the month preceding the month in which his last day of actual service occurred;

provided that the death benefit shall not exceed twenty thousand dollars ($20,000) reduced by the amount of the death benefit awarded under the Separate Benefit Fund. Such death benefit shall be payable apart and separate from the payment of the member's accumulated contributions of his death. For the purposes of this subsection, a member shall be deemed to be in service at the date of his death if his last day of actual service occurred not more than 90 days before the date of his death or if his last day of actual service occurred not more than 366 days before the date of his death if such member during said one-year period had applied for and was entitled to receive a disability retirement allowance, provided said disability retirement allowance had not been discontinued or revoked during said one-year period.

The Board of Commissioners shall provide the death benefit either (i) by purchasing a contract or contracts of group life insurance with any life insurance company or companies licensed and authorized to transact business in this State for the purpose of insuring the lives of members in service, or (ii) by establishing a separate reserve fund under the Retirement System for such purpose. If a separate reserve fund is established, it shall be operated in accordance with rules and regulations adopted by the Board of Commissioners and all investment earnings on the reserve fund shall be credited to such fund.

In administration of the death benefit contained in this subsection, the following shall apply:

(1) For the purpose of determining eligibility only, in this subsection "calendar year" shall mean any period of 12 consecutive months or, if less, the period covered by an annual contract of employment. For all other purposes in this subsection "calendar year" shall mean the 12 months beginning January 1 and ending December 31.

(2) Last day of actual service shall be:

a. When employment has been terminated, the last day the member actually worked.

b. When employment has not been terminated, the date on which an absent member's sick and annual leave expire.

(3) A member on leave of absence from his position as a law enforcement officer for the purpose of serving as a member or officer of the General Assembly shall be deemed to be in service during sessions of the General Assembly and thereby covered by the provisions of the death benefit. The amount of the death benefit for such member shall be the equivalent of the salary to which the member would have been entitled as a law enforcement officer during the 12-month period immediately prior to the month in which death occurred."

Sec. 7. Every section of this Act, except Section 4, shall become effective on July 1, 1979. Section 4 shall become effective on December 31, 1978.

APPENDIX U

MEMORANDUM CONCERNING INFORMATION
REQUESTED BY THE LEGISLATIVE RESEARCH COMMISSION
SUBCOMMITTEE ON RETIREMENT MATTERS
IN REGARD TO
LAW ENFORCEMENT OFFICERS' BENEFIT AND
RETIREMENT FUND
AND
FIREMEN'S PENSION FUND

March 23, 1978

GEORGE B. BUCK CONSULTING ACTUARIES, INC.

GEORGE B. BUCK CONSULTING ACTUARIES, INC
EMPLOYEE BENEFIT PLAN CONSULTANTS
TWO PENNSYLVANIA PLAZA, NEW YORK, NEW YORK 10001
212-695-2800

MEMORANDUM CONCERNING INFORMATION REQUESTED BY THE LEGISLATIVE RESEARCH COMMISSION SUBCOMMITTEE ON RETIREMENT MATTERS IN REGARD TO LAW ENFORCEMENT OFFICERS' BENEFIT AND RETIREMENT FUND AND FIREMEN'S PENSION FUND

This memorandum is written in response to the March 7 letter of Mr. Terrence D. Sullivan, Committee Counsel, in which he requested certain information in regard to the Law Enforcement Officers' Benefit and Retirement Fund (LEOBRF) and the Firemen's Pension Fund (FPF).

COST OF BENEFITS

The following table shows the employer cost of the existing regular benefits for each of the three fiscal years beginning with fiscal year 1977-78. Figures are not shown for 1976-77 since under LEOBRF there were changes in the interest assumption and annual rates of salary increase and there were amendments to the law since the June 30, 1976 valuation was made. The amounts included for the accrued liability are based on 30 year amortization of the unfunded accrued liability.

ATLANTA CHICAGO NEW YORK PITTSBURGH TORONTO WASHINGTON

ITEM	1977-78	1978-79	1979-80
	LEOBRF		
Payroll	$97,037,181	$106,581,855	$117,717,314
Employer Contribution for:			
Service Retirement	$ 3,095,485	$ 3,399,961	$ 3,755,182
Vesting	601,631	660,808	729,847
Disability	591,927	650,149	718,076
Death	320,223	351,720	388,467
Total	$ 4,609,266	$ 5,062,638	$ 5,591,572
	FPF		
Number	7,668	8,335	8,768
Employer contribution for:			
Service Retirement	$ 795,863	$ 865,090	$ 910,031
Deferred Benefits	75,837	82,433	86,716
Total	$ 871,700	$ 947,523	$ 996,747

In addition to the above contributions, members contribute 6% of salary under LEOBRF and $60 a year under FPF.

FINANCING

(a) Present Method

Under both LEOBRF and FPF the actuarial cost method used is the projected benefit method with entry age normal cost and open-end accrued liability. Actuarial gains are applied to the accrued liability.

Under LEOBRF members contribute 6% of salary each year, two-thirds of the income from court costs ($2 per case) is credited to the Accumulation Account and the remainder of the required appropriation is paid from the General Fund and the Highway Fund of the State.

Under FPF the appropriation required in addition to the $60 per year contributed by members is paid by the State.

Both systems use a valuation interest assumption of 6% per annum. Since the benefits under LEOBRF are based on salary, annual rates of salary increase which on the average exceed 4% are used. The rates of separation are based on experience.

Although at the present time investment earnings are in excess of 6 per cent it is not appropriate to use the excess earnings as a direct offset to contributions. The Employee Retirement Income Security Act (which at present does not apply to governmental systems) does not permit this approach. Also it is not realistic to look only at gains from interest as this method would take immediate credit for interest whereas other gains and losses are reflected in the unfunded accrued liability.

(b) Recommendations re Changes in Assumptions

It is recommended that no changes be made in assumptions at the present time. A comparison of actual and expected experience is made in conjunction with each valuation and any continued deviations will be brought to the attention of the respective Board.

(c) Source of Funds

The following table shows the actual contributions, investment earnings and benefit payments for fiscal year 1976-77 and the estimated transactions for the following three years.

ITEM	FISCAL YEAR			
	1976-77	1977-78	1978-79	1979-80
LEOBRF (Excludes Special Contributions Fund and Separate Benefit Fund)				
Assets Beginning of Year	$ 96,673,471	$111,886,349	$129,240,307	$ 148,325,655
Add Contributions by:				
Members	4,646,888	5,822,231	6,394,911	7,063,039
State (include Court Cost)	4,209,988	4,609,266	5,062,638	5,591,572
Add Transfers from Spec. Cont. Fund	937,092	950,000	950,000	950,000
Add Investment Income (less Expenses)	8,659,298	10,007,461	11,519,799	13,182,508
Deduct Benefit Payments	3,240,388	4,035,000	4,842,000	5,810,000
Assets End of Year	111,886,349	129,240,307	148,325,655	169,302,774
FPF				
Assets Beginning of Year	$ 10,610,996	$ 11,948,472	$ 13,224,483	$ 14,641,163
Add Contributions by:				
Members	442,535	460,080	500,100	526,080
State	882,036	871,700	947,523	996,746
Add Investment Income	933,153	1,041,282	1,152,665	1,274,140
Deduct Benefit Payments	920,248	1,097,051	1,183,608	1,276,995
Assets End of Year	11,948,472	13,224,483	14,641,163	16,161,134

(d) Recommended Alternate Assumptions

We think the present assumptions are in order and would not recommend alternate assumptions at this time.

(e) Recommend a Method to Charge Local Governmental Units under LEOBRF

This is not a recommendation but if you were to charge local governmental units an amount equal to the ratio of their payroll to total payroll times the employer contribution not met by court costs, the estimated local and State contributions for LEOBRF would be as follows:

ITEM	1976-77	1977-78	1978-79	1979-80
25 Year Liquidation of Unfunded Accrued Liability				
(1) Total Employer Contribution (Present Benefits)	$ 4,209,988	$ 4,696,600	$ 5,158,562	$ 5,697,518
(2) Court Costs for Retirement	1,456,044	1,450,000	1,450,000	1,450,000
(3) Net Employer Contribution	2,753,944*	3,246,600	3,708,562	4,247,518
(4) Local Units Share =.7 x (3)	1,927,761	2,272,620	2,595,993	2,973,263
(5) State Share (3) - (4)	826,183	973,980	1,112,569	1,274,255
(6) (3) as a % of Payroll	3.17%	3.35%	3.48%	3.61%
30 Year Liquidation of Unfunded Accrued Liability				
(1) Total Employer Contribution (Present Benefits)	$ 4,209,988	$ 4,609,266	$ 5,062,638	$ 5,591,572
(2) Court Costs for Retirement	1,456,044	1,450,000	1,450,000	1,450,000
(3) Net Employer Contribution	2,753,944*	3,159,266	3,612,638	4,141,572
(4) Local Units Share =.7 x (3)	1,927,761	2,211,486	2,528,847	2,899,100
(5) State Share (3) - (4)	826,183	947,780	1,083,791	1,242,472
(6) (3) as a % of Payroll	3.17%	3.26%	3.39%	3.52%

* Actual contribution

(f) and (g) Alternate Methods and Recommendations as to Financing

The present method of financing the systems is one of the four acceptable methods under ERISA; the use of two of the other methods would result in a higher immediate level of contribution, whereas the remaining method would probably result in about the same level of contribution.

TRANSFER

We do not know the particulars of a "type II transfer" and therefore do not feel qualified to comment on such a proposal.

DILTS' PROPOSALS

Mr. Dilts suggested the following improvements in benefits to bring LEOBRF in line with the benefits under the Local Governmental Employees' Retirement System. Our comments regarding each proposal are also included.

Proposal a. The requirement of 10 years minimum creditable service to be eligible at age 55 for service retirement should be dropped.

Comment: This proposal would have a minimal cost attached to it since the vast majority of members would have completed 10 years of service by the time they reach age 55.

Proposal b. The requirement of 10 years minimum creditable service for non-occupational disability should be reduced to five years, and the benefit should be based on service projected to age 65 instead of age 55.

Comment: We agree that the decrease in the service requirement for eligibility for non-occupational disability would be in order but a projection of service to age 65 rather than age 55, which is the normal service retirement age, would probably lead to a number of would-be normal service retirements requesting disability benefits in order to get the projection. This additional 10 years of benefit with no contributions by members is costly as shown in the table which follows the proposals.

Proposal c. The separation allowance should be payable after five years creditable service instead of 15 years.

Comment: The System now provides separation allowances after 10 years of service. A reduction in the service requirement to 5 years would probably increase the employer annual contribution by not more than .10 per cent of payroll.

Proposal d. A death benefit equivalent to annual compensation up to $15,000 less the $5,000 benefit payable from the separate benefit fund should be provided.

Comment: The cost of this benefit was determined on a one-year term basis which is the method followed in the Local Governmental Employees' Retirement System.

Proposal e. A cost of living increase should be provided to LEOBRF members whenever an increase is provided to LGERS members.

Comment: Section 128-27(k) of the General Statutes of North Carolina which provides for cost of living increases for retired members of the Local Governmental Employees' Retirement System has the following clause, "..provided that any such increase in allowances shall be contingent upon the total fund providing sufficient investment gains to cover the additional actuarial liabilities on account of such increase." We have, therefore, not shown any cost for this item assuming excess investment gains would be used to provide the increase, if any.

The following table shows the costs for proposals b., c. and d. for each of the three fiscal years commencing with fiscal year 1977-78.

ITEM	As % of Payroll	ANNUAL AMOUNT FOR FISCAL YEAR		
		1977-78	1978-79	1979-80
Based on 30 Year Liquidation of Additional Accrued Liability				
Proposal (b):				
(1) Increase in Contribution	.79%	$ 766,594	$ 841,997	$ 929,967
(2) Local Units Share = .7 x (1)		536,616	589,398	650,977
(3) State Share (1) - (2)		229,978	252,599	278,990
Proposal (c):				
(1) Increase in Contribution	.10	97,037	106,582	117,717
(2) Local Units Share = .7 x (1)		67,926	74,607	82,402
(3) State Share (1) - (2)		29,111	31,975	35,315
Proposal (d):				
(1) Increase in Contribution	.22	213,482	234,480	258,978
(2) Local Units Share = .7 x (1)		149,437	164,136	181,285
(3) State Share (1) - (2)		64,045	70,344	77,693

GEORGE B. BUCK CONSULTING ACTUARIES, INC
EMPLOYEE BENEFIT PLAN CONSULTANTS
TWO PENNSYLVANIA PLAZA. NEW YORK, NEW YORK 1000[illegible]
212-695-2800

RECEIVED
MAY 26 1978
LAW ENFORCEMENT OFFICERS' BENEFIT & RETIREMENT FUND

May 18, 1978

Mr. Henry L. Bridges, Chairman
The Board of Commissioners of The Law Enforcement
Officers' Benefit and Retirement Fund
116 West Jones Street
Raleigh, North Carolina 27603

Dear Mr. Bridges:

As requested, we are writing to provide revised cost figures for the benefit and funding changes covered under the third paragraph of my letter of April 27 to Mr. Sullivan.

The estimated contributions for the fiscal year beginning July 1, 1979 based on an estimated payroll of $117,717,314, 25 year liquidation of the unfunded accrued liability, and the present benefits and present method of funding are as follows:

(1) Estimated employer contribution	$5,697,518
(2) Estimated court costs	1,450,000
(3) Net amount payable by State	4,247,518
(4) Net as percentage of payroll	3.61%

The revised estimated contributions for the fiscal year beginning July 1, 1979 based on the above payroll, funding period and the benefit and funding changes outlined in your letter under paragraphs (1) and (2) starting at the bottom of page one of your letter, including the change mentioned below, are as follows:

(1) Estimated employer contribution	$6,309,648
(2) Estimated court costs	1,450,000
(3) Net employer contribution	4,859,648
(4) Net as percentage of payroll	4.13%
(5) Local units' share = .7 x (3)	3,401,754
(6) State share = (3) - (5)	1,457,894

The revised cost figures are the result of a change in the maximum lump sum death benefit from $15,000 to $20,000, and indicate an additional cost of .01% of payroll. Item (4) in our April 27 letter was 4.12%.

The estimated savings to the State are equal to $4,247,518 (from second paragraph of April 27 letter) minus $1,457,894 or $2,789,624.

If you have any questions please let us know.

Very truly yours,

GEORGE B. BUCK CONSULTING ACTUARIES, INC.

By Hugh Gillespie
Consulting Actuary

HG:LS

LAW ENFORCEMENT OFFICERS' BENEFIT & RETIREMENT FUND

EMPLOYER	NO. MEMBERS FEB. 1978	EST. PAYROLL FY 1979/1980	EMPLOYER "SPECIAL" CONTR. FOR FEB. 1978 Percent	Projected Annually	EST. EMPLOYER "BASIC BENEFITS" FUNDING FOR 1979/1980 ** (4.12% of Payroll)
Alamance County *	42	$487 424	6.68	$28 729	$ 20 082
Albemarle *	13	142 351	6	7 536	5 865
Anson County *	7	57 256	6	3 031	2 359
Apex *	8	93 935	6	4 973	3 870
Asheville	37	474 164	0	-	19 536
Atlantic Beach	2	21 556	0	-	888
Avery County *	14	131 362	5	5 795	5 412
Ayden	4	61 635	3.27	1 780	2 539
Battleboro	4	40 283	3.66	1 299	1 660
Beaufort County *	19	203 388	5	8 973	8 380
Belmont *	13	154 333	5	6 809	6 359
Beulaville *	3	28 342	0	-	1 168
Biltmore Forest *	11	121 706	0	-	5 014
Black Mountain	8	78 282	0	-	3 225
Bladen County *	7	83 055	6	4 397	3 422
Blowing Rock *	5	58 711	0	-	2 419
Boiling Springs *	2	19 054	6.86	1 153	785
Boonville *	1	9 969	3.82	336	411
Brevard *	12	128 302	6	6 792	5 286
Brookford *	2	17 680	6	936	728
Brunswick County *	10	117 776	8.81	9 155	4 852
Buncombe County *	80	890 582	5	39 291	36 692
Burgaw *	3	27 581	.19	46	1 136
Burke County *	41	439 144	6	23 248	18 093
Burlington *	68	894 105	6	47 335	36 837

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EMPLOYER	NO. MEMBERS FEB. 1978	EST. PAYROLL FY 1979/1980	EMPLOYER "SPECIAL" CONTR. FOR FEB. 1978 Percent	EMPLOYER "SPECIAL" CONTR. FOR FEB. 1978 Projected Annually	EST. EMPLOYER "BASIC BENEFITS" FUNDING FOR 1979/1980 ** (4.12% of Payroll)
Burnsville *	2	$ 18 578	6	$ 984	$ 765
Cabarrus County *	97	1 298 841	5	57 303	53 512
Carolina Beach	8	110 282	.10	960	4 544
Carteret County *	8	89 148	4.50	3 540	3 673
Cary *	20	223 489	4.62	9 111	9 208
Catawba County *	52	624 009	3.96	21 804	25 709
Catawba County ABC Board *	2	30 777	10	2 715	1 268
Chadbourn *	3	25 582	8.55	1 930	1 054
Champion Papers, Inc.	2	34 966	0	-	1 441
Chapel Hill *	55	752 080	6	39 816	30 986
Charlotte *	585	9 204 752	5	406 088	379 236
Chatham County *	24	238 530	9.66	20 100	9 827
Cherokee County *	7	61 622	4.09	2 224	2 539
Cherryville *	9	126 820	5	4 995	5 225
Chowan County *	2	30 165	11.46	3 051	1 243
Clayton *	9	98 695	5.64	4 911	4 066
Cleveland County *	30	368 519	7.43	24 160	15 183
Columbus County *	15	160 861	5	7 097	6 627
Concord *	36	463 026	5	20 428	19 077
Concord ABC Board *	2	27 214	5	1 201	1 121
Cramerton *	6	67 850	4.19	2 508	2 795
Craven County *	17	258 495	4.30	9 808	10 650
Creedmoor *	5	50 089	6	2 652	2 064
Cumberland County *	98	1 260 353	4.10	45 594	51 927
Currituck County *	8	91 419	6	4 840	3 766

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Dare County *	5	$ 64 083	4.20	$ 2 375	$ 2 640
Denton *	3	36 149	3	957	1 489
Dunn *	7	81 355	6.54	4 695	3 352
Duplin County *	18	216 621	6.60	12 611	8 925
Durham *	181	2 701 204	4.08	97 243	111 290
Durham County *	47	486 390	4.10	17 617	20 039
Durham County ABC Board *	5	84 184	4.44	3 298	3 468
Edgecombe County *	2	21 189	6	1 122	873
Edgecombe County ABC Board*	3	45 682	10.50	4 233	1 882
Elizabeth City *	33	354 226	12	37 506	14 594
Elizabethtown	2	20 223	5	892	833
Elm City	2	9 969	5	440	411
Elon College *	1	9 425	5	416	388
Emerald Isle	6	56 467	0	-	2 326
Erwin *	3	35 945	4.36	1 383	1 481
Fairmont *	5	50 674	0	-	2 088
Farmville *	12	135 062	5	5 959	5 565
Fayetteville *	126	1 448 347	5.93	75 742	59 672
Forest City *	18	195 894	5	8 642	8 071
Franklin County *	10	104 489	5	4 610	4 305
Franklinton *	4	32 327	6	1 711	1 332
Fremont *	2	25 650	6	1 358	1 057
Fuquay-Varina *	8	78 962	6	4 180	3 253
Garland *	3	27 526	6	1 457	1 134
Garner *	17	188 768	6	9 993	7 777

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EMPLOYER	NO. MEMBERS FEB. 1978	EST. PAYROLL FY 1979/1980	EMPLOYER CONTR. FOR Percent	"SPECIAL" FEB. 1978 Projected Annually	EST. EMPLOYER "BASIC BENEFITS" FUNDING FOR 1979/1980 ** (4.12% of Payroll)
Gaston County *	53	$ 661 654	4	$ 23 439	$ 27 260
Gastonia *	107	1 375 490	6	72 819	56 670
Gibsonville *	5	46 675	10.39	4 279	1 923
Goldsboro *	63	693 940	5	30 615	28 590
Graham *	9	86 863	6	4 599	3 579
Granite Falls *	9	80 594	5	3 555	3 320
Granville County *	11	123 053	10.12	10 988	5 070
Greene County *	8	73 073	0	-	3 011
Greensboro *	352	6 021 808	6	318 802	248 098
Greensboro ABC Board *	2	33 374	6	1 767	1 375
Greenville *	72	833 898	5	36 790	34 357
Guilford County *	169	2 189 858	3.60	69 562	90 222
Halifax County *	14	172 992	0	-	7 127
Hamlet *	12	112 744	8.22	8 177	4 645
Harnett County *	14	161 269	5	7 115	6 644
Havelock	9	83 722	1.31	972	3 449
Haywood County *	13	137 034	5	6 046	5 646
Hazelwood	3	30 287	5	1 336	1 248
Henderson *	38	346 691	6	18 354	14 284
Hendersonville *	4	41 099	4.28	1 552	1 693
Hertford	3	56 372	0	-	2 323
Hickory *	53	588 635	0	-	24 252
High Point *	14	55 134	5.55	2 493	2 272
Hillsborough *	2	24 330	6	1 288	1 002
Hope Mills	3	31 960	0	-	1 317

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Hyde County *	2	$ 19 938	10.93	$ 1 923	$ 821
Iredell County *	34	380 514	5	16 788	15 677
Jackson County *	11	105 930	5.15	4 814	4 364
Jacksonville *	55	583 181	5	25 729	24 027
Johnston County *	10	121 067	7.62	8 140	4 988
Kernersville *	13	135 864	0	-	5 598
Kill Devil Hills *	3	29 158	6.39	1 644	1 201
Kings Mountain *	21	211 290	6	11 187	8 705
Kinston *	60	816 530	4.28	30 832	33 641
Laurinburg *	25	321 436	0	-	13 243
Lenoir County *	7	98 518	7.74	6 728	4 059
Lexington	41	457 028	0	-	18 830
Lincoln County *	20	216 512	5	9 552	8 920
Lincolnton *	18	199 009	4.89	8 587	8 199
Long Beach *	3	32 314	5	1 425	1 331
Longview *	2	24 834	6	1 314	1 023
Louisburg *	6	66 558	6	3 523	2 742
Lumberton *	38	402 791	4.36	15 480	16 595
Macon County *	10	88 141	7.69	5 981	3 631
Maiden *	7	73 059	5	3 223	3 010
Marion *	14	125 338	0	-	5 164
Marshville *	3	31 797	5	1 403	1 310
Martin County *	2	30 423	4.85	1 302	1 253
Martin County ABC Board *	1	11 737	3.96	410	484
Maxton	5	51 707	0	-	2 130

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Mecklenburg County *	171	$ 2 513 960	5	$110 909	$ 103 575
Mecklenburg Co. ABC Board *	7	136 381	6	7 220	5 619
Mocksville *	5	60 493	6	3 203	2 492
Monroe *	26	309 495	4.42	12 070	12 751
Montreat	5	49 858	5	2 200	2 054
Moore County *	5	56 576	6.25	3 120	2 331
Mooresville *	18	213 126	6	11 282	8 781
Morganton *	31	341 278	5	15 056	14 061
Mount Airy	13	157 787	0	-	6 501
Murfreesboro *	6	58 344	6	3 087	2 404
Nags Head *	8	119 258	4.19	4 409	4 913
Nash County *	21	260 304	5	11 479	10 725
New Bern *	20	221 150	3	5 855	9 111
New Hanover County *	80	559 150	8	39 469	23 037
Newton	22	249 560	1.87	4 111	10 282
Northampton County *	7	88 155	0	-	3 632
Onslow County *	34	393 149	5	17 345	16 198
Orange County *	31	400 302	5	17 661	16 492
Orange Co. ABC Board *	2	28 696	6	1 519	1 182
Oxford *	14	127 106	5	5 607	5 237
Pamlico County *	7	73 154	6	3 879	3 014
Pasquotank County *	8	79 193	5	3 494	3 263
Person County *	11	124 753	5	5 504	5 140
Pilot Mountain *	7	64 546	0	-	2 659
Pitt County *	30	371 484	5	16 389	15 305

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			Percent	Projected Annually	
Pittsboro *	5	$ 44 336	3	$ 1 174	$ 1 827
Raleigh *	316	4 902 079	6	259 514	201 966
Ranlo *	5	61 416	5	2 709	2 530
Reidsville *	24	289 136	6	15 307	11 912
Richmond County *	20	244 990	8.81	19 045	10 094
Robeson County *	45	503 758	5	22 225	20 755
Rockingham *	10	99 810	6	5 284	4 112
Rockingham County *	38	460 496	4.62	18 772	18 972
Rocky Mount *	8	91 664	0	-	3 777
Rowan County *	11	119 408	4.34	4 573	4 920
Rowan County ABC Board *	4	67 755	6	3 587	2 792
Roxboro *	22	230 547	6	12 206	9 499
Salisbury *	41	244 814	8.98	19 391	10 086
Scotland Neck *	6	65 266	6	3 455	2 689
Shelby *	40	488 811	0	-	20 139
Smithfield *	20	220 306	6	11 663	9 077
Southern Pines *	14	152 320	7.71	10 362	6 276
Southport *	6	59 894	7.45	3 937	2 468
Spindale *	10	99 076	5	4 371	4 082
Statesville *	58	648 747	5	28 622	26 728
Stokes County *	5	57 637	5.96	3 031	2 375
Surry County *	19	212 745	3.84	7 207	8 765
Swain County *	2	18 442	5	813	760
Tarboro *	16	198 410	5	8 753	8 174
Thomasville *	27	324 387	6	17 175	13 365

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Topsail Beach	3	$ 39 780	5.31	$ 1 863	$ 1 639
Transylvania County *	15	146 962	5	6 483	6 055
Union County *	23	251 246	6	13 301	10 351
Vance County *	14	171 387	6	9 073	7 061
Wadesboro *	8	82 035	7.01	5 074	3 380
Wake County *	80	1 168 022	5	51 530	48 123
Wake Co. ABC Board *	4	66 817	6	3 537	2 753
Wallace	15	142 623	0	-	5 876
Warren County *	7	75 371	10.57	7 029	3 105
Washington *	17	189 951	4.51	7 559	7 826
Wayne Co. ABC Board *	2	25 540	5	1 127	1 052
Waynesville *	1	11 940	6	632	492
Wendell *	6	55 746	6	2 952	2 297
Williamston *	20	193 011	6.12	10 422	7 952
Wilmington	17	294 902	0	-	12 150
Wilson *	72	983 049	5	43 371	40 502
Wilson County *	18	200 178	4.38	7 737	8 247
Winston-Salem *	298	4 949 897	0	-	203 936
Winston-Salem ABC Board *	5	89 270	5	3 938	3 678
Winterville *	4	41 861	6	2 216	1 725
Woodfin	4	48 416	0	-	1 995
Yadkin County *	9	92 018	5	4 059	3 791
Yadkinville *	5	51 517	6	2 727	2 123
Yancey County *	9	78 200	5	3 450	3 222

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Youngsville	4	$ 33 755	0	$ -	$ 1 391
Zebulon *	4	48 416	5	2 136	1 995
Hendersonville ABC Board *	1	14 484	12.50	1 598	597
Carthage	1	10 826	0	-	446
Halifax Co.ABC Board *	1	11 492	15	1 521	473
Old Fort	1	9 207	0	-	379
Tabor City	1	11 614	0	-	479
Bertie County *	1	17 544	10.33	1 599	723
Conway	1	9 615	0	-	396
Lexington ABC Board *	1	12 240	5	540	504
Conover *	1	9 262	5	409	382
Danbury	1	8 609	6	456	355
Lake Norman	1	14 729	5	650	607
Lenoir	1	19 271	0	-	794
Cumberland Co.ABC Board *	1	16 320	0	-	672
Randolph County *	1	18 700	6	990	770
Rhodiss	1	9 520	6	504	392
Mount Gilead	1	9 425	0	-	388
Lucama	1	10 091	0	-	416
Banner Elk	1	16 225	6	859	668
Elk Park	1	8 609	0	-	355
Hertford County *	1	12 294	8.84	959	507
Benson *	1	8 922	5.08	400	368
Garysburg	1	6 120	0	-	252
Lenoir Co. ABC Board *	1	10 200	9	813	420

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Locust	2	$ 21 678	6	$ 1 148	$ 893
Matthews	2	25 622	5	1 130	1 056
Nash Co. ABC Board *	2	23 120	5.37	1 095	953
Pender County *	2	22 154	4.60	899	913
Rowland	3	26 547	0	-	1 094
Scotland County *	2	27 322	6	1 447	1 126
Sharpsburg	3	27 200	0	-	1 121
Whispering Pines	3	29 471	0	-	1 214
Clinton ABC Board *	1	11 492	6	608	473
Candor	1	8 609	6	456	355
Knightdale *	1	8 867	4.14	324	365
Pineville *	1	10 894	6.89	662	449
Granville Co. ABC Board *	1	13 600	7.09	851	560
Gates County *	1	12 675	4.45	498	522
Moore Co. ABC Board *	1	14 280	7.71	971	588
Morganton ABC Board *	1	14 035	6	743	578
Whiteville *	1	14 049	8.38	1 039	579
Onslow Co. ABC Board *	1	10 037	6.06	537	414
St. Pauls *	1	13 804	6	731	569
Monroe ABC Board *	1	10 948	6.75	652	451
Caswell Co. ABC Board *	1	9 139	6	484	377
Hoke County *	1	9 629	7.09	603	397
Raleigh-Durham Airport *	1	15 626	5.85	806	644
Sanford ABC Board *	1	13 641	4.88	587	562
Grifton *	1	9 819	6	520	405

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			Percent	Projected Annually	
Caldwell County *	1	$ 8 976	4.15	$ 329	$ 370
Shelby ABC Board *	1	11 397	3.58	360	470
Stanfield	1	8 840	5	390	364
High Point ABC Board *	2	31 103	6	1 647	1 281
Oakboro	2	22 018	0	-	907
Roanoke Rapids *	3	35 591	0	-	1 466
Saluda	2	17 272	0	-	712
Troutman	2	24 929	0	-	1 027
White Lake	1	9 833	5	434	405
Vass *	3	29 961	9.64	2 549	1 234
Mount Olive *	1	12 730	7.34	824	524
Snow Hill	1	10 594	0	-	436
Wake Forest *	1	10 826	7.54	721	446
Newton Grove	1	8 500	1	75	350
Statesville ABC Board *	1	10 200	6	540	420
Norlina *	1	6 025	9.24	492	248
Hertford Co. ABC Board *	1	14 715	6	779	606
Coats	1	6 909	0	-	285
Morehead City *	1	9 003	6	477	371
Pitt Co. ABC Board *	1	12 512	5	552	515
Beaufort Co. ABC Board *	1	14 824	7.67	1 003	611
Norwood *	3	30 518	6.45	1 737	1 257
Pine Knoll Shores	3	27 227	5	1 201	1 122
Sylva	3	29 770	6	1 576	1 227
Person County ABC Board *	1	11 791	6.50	676	486

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Kenly	1	$ 7 929	0	$ -	$ 327
Morven	1	9 969	6	528	411
Mount Holly *	3	36 394	7	2 248	1 499
Vanceboro	1	9 207	6	487	379
Sparta ABC Board	1	7 072	5	312	291
Mt. Pleasant ABC Board *	4	6 202	6	328	256
Granite Falls ABC Board *	1	12 158	8	858	501
McAdenville	2	28 873	6	1 528	1 190
Rutherford County *	2	29 226	6	1 547	1 204
Polk County *	1	9 656	6	511	398
Vance Co. ABC Board *	1	11 247	8.85	878	463
Lincolnton ABC Board *	1	19 135	4.64	783	788
Northampton Co. ABC Board *	1	11 696	5.22	539	482
Holly Ridge	1	9 969	6	523	411
Faison	1	11 424	0	-	471
Pikeville	2	24 330	0	-	1 002
Pender Co. ABC Board *	1	9 969	0	-	411
Enfield *	1	9 710	7.39	633	400
Wilson Co. ABC Board *	2	27 214	5.78	1 388	1 121
TOTAL		$73 588 569			$3 031 853

* Unit participates in the Local Governmental Employees' Retirement System

** The latest actuarial estimate is 4.13% of Payroll.

Prepared by the Department of State Auditor.

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