



**North Carolina**  
Total Retirement Plans

**BRIEFING  
DRAFT**

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*



## RETIREMENT SYSTEMS DIVISION

**STEVEN C. TOOLE**  
EXECUTIVE DIRECTOR

10/19/2018

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

Dear 93401 - FORSYTH COUNTY:

During the 2014 General Assembly session, contribution-based benefit cap legislation was enacted effective January 1, 2015. This legislation was created to control the practice of "pension spiking," in which a member's compensation substantially increases, resulting in a monthly retirement benefit that is significantly greater than the member and employer contributions would fund. The contribution-based benefit cap (CBBC) approach was created to protect each system for current and future retirees and to prevent all employers in the Retirement Systems from absorbing the additional liabilities caused by compensation decisions made by other employers. This legislation applies to members who retire on and after January 1, 2015, with an average final compensation of \$100,000 or higher (adjusted annually for inflation), and will only directly impact a small number of those individuals. It requires the member's last employer to pay the additional contribution required to fund the member's benefit in excess of the cap. [G.S. 135-5(a3); 135-4(j); 128-27(a3); and 128-26(y)]

In order to assist employing agencies with planning and budgeting to comply with the CBBC provisions, we are required to report monthly to each employer a list of those members for whom the employer made a contribution to the Retirement System in the preceding month that are most likely to require an additional employer contribution should they elect to retire in the following 12 months. This letter and the attached report serve as our required monthly notification to your agency under this provision. [G.S. 135-8(f)(2)(f) and G.S. 128-30(g)(2)(b)]

The chief financial officer of your agency is required to provide a copy of the attached report to the chief executive of your agency, as well as to the governing body, including any board which exercises financial oversight. Additionally, the chief financial officer of a public school system is required to provide a copy of the report to the local board of education and notify the board of county commissioners of the county in which the local administrative unit is located that the report was received and how many employees were listed in the report. [G.S. 115C-436(c); 135-8(j); and 128-30(j)]

For the purpose of determining the employees of your agency that are likely to require an additional employer contribution should they elect to retire in the following 12 months, the Retirement System modified the criteria used in the CBBC calculation. This allows for a broad list of potential employees, including those whose compensation average may approach the threshold and attempts to provide your agency with prior notification of a potential cost. The attached report lists employees of your agency who may be eligible to retire in the next 13 months (at either a

reduced or unreduced benefit), whose salary is \$95,000 or greater, and whose estimated monthly retirement benefit exceeds the CBBC based on information in the employee's most recent annual benefits statement. In addition, a lower CBBC Factor (i.e., TSERS is 4.2 and LGERS is 4.4) is applied.

This list is not exhaustive, and members included on this list may or may not exceed the CBBC upon retirement, depending on a number of factors such as the member's average final compensation, the member's age at retirement, and membership service. This is merely a notification of a potential cost that your agency may be required to pay, in the form of a lump-sum payment, due after the member retires.

You can calculate the likelihood of whether the retirement benefit of a member listed on the attached report will exceed the CBBC with information available on our website at <https://www.nctreasurer.com/Retirement-and-Savings/For-Government-Employers/Pages/default.aspx>.

If you have any questions or need assistance in calculating the likelihood of a potential CBBC liability, please contact Shannon Wharry at (919) 814-4187 by phone or at [shannon.wharry@nctreasurer.com](mailto:shannon.wharry@nctreasurer.com) by email.

Sincerely,

*Ron Chisolm Jr.*

Ron Chisolm Jr.  
Chief of Retirement Processing  
Retirement Systems Division

623\_PENSPK



**North Carolina**  
Total Retirement Plans

North Carolina Department of State Treasurer  
Retirement Systems Division  
3200 Atlantic Ave, Raleigh, NC 27604  
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*The Fund, Inc.*  
STATE TREASURER OF NORTH CAROLINA  
DAEE R. FOLWELL, CPA



**CONTRIBUTION-BASED BENEFIT CAP REPORT**

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

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

ORBIT - PensionSpikingReportbyAgency Version # 1

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## Contribution Based Benefit Cap (CBBC)

As of 10/26/18

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

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