

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT**

BILL NUMBER: Committee Substitute for Senate Bill 1219

SHORT TITLE: Gastonia Policemen's Retirement

SYSTEM OR PROGRAM AFFECTED: Gastonia Policemen's Supplemental Retirement Fund

FUNDS AFFECTED: City of Gastonia

BILL SUMMARY: Under the present law, all policemen of the City of Gastonia are members of the System. Each employee pays 2% of salary to fund and investment earnings on these contributions are used to pay benefits. The retirement benefit is 2% of average monthly salary for each 5 years of service or portion thereof, not to exceed 14% of salary, and is paid for life.

The bill will dissolve the Gastonia Policemen's Supplemental Retirement Fund and allow all assets of the System to be paid as follows: (1) all employees will receive a refund of their contributions in full, (2) all employees will receive 4% interest per annum on their contributions, (3) the balance of the assets are to be distributed to all those vested employees and retirees in amounts to be determined by an actuary using the assumptions adopted by the board.

EFFECTIVE DATE: July 1, 2002

SOURCES OF DATA: System Actuary – Aon Consulting
General Assembly Actuary - Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: In *Bailey v. State of North Carolina*, the Supreme Court established that the relationship between a public Retirement System and its employees who have vested in the system is contractual in nature, and that the benefits of the contract cannot be diminished or impaired without violating the Contract Clause of the federal constitution. By electing to discontinue funding of the Gastonia Policemen's Supplementary Pension Fund in 1983, and dissolving the Fund as proposed in this bill, it appears the City of Gastonia may impair the contractual rights of all of the vested and retired members of the Fund. If challenged, the City could be found to have violated the constitutional rights of its vested members and required by the court to honor its contractual obligation.

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DATE: July 23, 2002



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