



HOUSE BILL 616: Local Governmental Employees' Retire. COLA

2015-2016 General Assembly

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| Committee: | House Pensions and Retirement, if favorable, Appropriations | Date: | April 20, 2015 |
| Introduced by: | Rep. McNeill | Prepared by: | Theresa Matula Committee Staff |
| Analysis of: | First Edition | | |

SUMMARY: *House Bill 616 provides a 1% cost-of-living adjustment (COLA) for retirees in the Local Governmental Employees' Retirement System (LGERS) effective July 1, 2015, and amends the statutes to reflect increases that were provided in 2006, 2007, 2008, and 2009.*

BILL ANALYSIS:

House Bill 616 amends the benefit section of the Local Governmental Employees Retirement System (LGERS) statutes to add subsections (hhh) – (kkk) to G.S. 128-27 which represent increases already provided by the Board of Trustees.

G.S. 128-27(III) would provide a 1% COLA to retirees in the LGERS effective July 1, 2015.

EFFECTIVE DATE: This act would become effective July 1, 2015.

CURRENT LAW:

G.S. 128-27(k) Post-Retirement Increases in Allowances. – As of December 31, 1969, the ratio of the Consumer Price Index to such index one year earlier shall be determined. If such ratio indicates an increase that equals or exceeds three per centum (3%), each beneficiary receiving a retirement allowance as of December 31, 1968, shall be entitled to have his allowance increased three per centum (3%) effective July 1, 1970.

As of December 31, 1970, the ratio of the Consumer Price Index to such index one year earlier shall be determined. If such ratio indicates an increase of at least one per centum (1%), each beneficiary on the retirement rolls as of July 1, 1970, shall be entitled to have his allowance increased effective July 1, 1971, as follows:

| Increase In Index | Increase In Allowance |
|----------------------|--------------------------|
| 1.00 to 1.49% | 1% |
| 1.50 to 2.49% | 2% |
| 2.50 to 3.49% | 3% |
| 3.50% or more | 4% |

As of December 31, 1971, an increase in retirement allowances shall be calculated and made effective July 1, 1972, in the manner described in the preceding paragraph. As of December 31 of each year after 1971, the ratio (R) of the Consumer Price Index to such index one year earlier shall be determined, and each beneficiary on the retirement rolls 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 of increase indicated by the ratio (R) calculated to the nearest

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tenth of one per centum (1/10 of 1%), but not more than four per centum (4%); 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. The determination of whether there are sufficient investment gains to cover the possible postretirement increase in allowance shall reside exclusively within the discretion of the Board of Trustees and shall be informed by the findings within the annual actuarial valuation reports. In considering whether to grant a postretirement increase, the Board of Trustees shall take into account both the rate of inflation as determined by the Consumer Price Index and the record of investment gains or losses during the preceding three-year period.

The allowance of a surviving annuitant of a beneficiary whose allowance is increased under this subsection shall, when and if payable, be increased by the same per centum.

Any increase in allowance granted hereunder shall be permanent, irrespective of any subsequent decrease in the Consumer Price Index, and shall be included in determining any subsequent increase.

Notwithstanding the foregoing linkage between increases in the Consumer Price Index and correlative contingent increases in retirement benefits determined by the availability of sufficient investment gains to cover the additional actuarial liabilities arising from those increased benefits, the Board of Trustees, may in any year, considering an increase, if any, in the Consumer Price Index, fund a cost-of-living increase in a percentage amount, measured in tenths of one percent (1/10 of 1%), of up to four percent (4%), provided that the Board may use only investment gains to fund such an increase.

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.