



North Carolina Department of State Treasurer

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For Immediate Release
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Treasurer Cowell Advises State Leaders to Plan for Significant Increased Contributions to the Public Pension Plan

RALEIGH -- State Treasurer Janet Cowell advised today state and local government leaders to prepare for increased contributions starting in July 2009 to the public pension fund.

The state will have to allocate an additional \$359 million from the general fund over the next two budget years (\$29 million in FY 2009-2010 and \$329 million in 2010-2011).

"I understand this news comes at a time when families, local and state governments, and the private sector are tightening their belts as a result of the global recession," Cowell said. "However, it is important for budget writers to take these costs into consideration as they craft their respective budgets."

"Employer contributions are a required cost and a contractual obligation to the 535,000 active public employees – including law enforcement officers, firefighters and teachers – covered by the plan," Cowell said.

Funding the retirement system is a shared responsibility among employees, employers and investment earnings.

Investment earnings have accounted for the lion's share, 77 percent, of pension funding in recent years.

The earnings were high enough in recent years to allow the General Assembly to significantly reduce its annual contribution below the normal rate of 6.26 percent of payroll. This is the state's match to the employee contribution of 6 percent, which is automatically deducted from their monthly paycheck.

The savings gained from the lower contribution rate have allowed the state to use the money for other public purposes such as education and health care.

But in 2008 the fund had a negative return on investment of 19.7 percent. The loss of assets during the past year now requires the General Assembly to increase its contribution back to the normal contribution amount, roughly \$686 million, in the second year of the biennium.

To help weather the storm, Treasurer Cowell pledged last month to review every relationship in the state's investment portfolio; hire an outside auditor to review business and investment practices; and hold true to established principles of conservative, prudent, long-term investing.

"I am doing my part to navigate the markets so that we get the best return on every dollar invested," Cowell said.

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About the Retirement Plan:

The North Carolina Retirement Systems, the formal name for the pension fund, is now the ninth largest public pension fund in the country. It provides retirement benefits and savings for more than 820,000 North Carolinians, including teachers, state employees, firefighters, police officers and other public workers.

For more information, go to www.nctreasurer.com

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