



NORTH CAROLINA

OFFICE OF THE TREASURER

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FOR IMMEDIATE RELEASE
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TREASURER COWELL ANNOUNCES RETIREMENT SYSTEM FUNDED STATUS

Retirement System Funded at 99.3 Percent According to Annual Valuation

RALEIGH – State Treasurer Janet Cowell announced today the results of the annual actuarial study of the North Carolina Retirement Systems, which reports a funded status of 99.3 percent. The annual actuarial study is based on data from the Teachers' and State Employees' Retirement System (TSERS) collected through December 31, 2008 and, as expected, shows a drop from the previously reported overfunded status of 104.7 percent.

"Even if we achieve investment target returns as the economy recovers, it is very likely that the funded status will continue to decline as losses from the 2008 downturn are distributed over the next several years," Cowell said. "State and local governments will need to continue to budget for increased contributions to the system."

Funded status is the amount by which a pension plan's assets exceed the projected benefit obligations that will have to be paid in the future. The average funding ratio for public pension plans is around 80 percent according to the National Association of State Retirement Administrators. Though the system has fallen below a fully funded status, it continues to rank within the top five systems nationally. Based on asset value, North Carolina is the tenth largest U.S. public pension fund and ranked thirty-two globally in a list of the largest retirement funds recently released by Pension and Investments and Wyatt Watson.

Required contribution rates for TSERS will increase from last year's rate of 3.57 percent to 6.71 percent. The normal contribution rate is 6.3 percent, but investment earnings in recent years have been high enough to allow the General Assembly to significantly reduce its annual contribution below this rate.

Funding for TSERS is collected from three sources:

- Employee Contributions: All public employees contribute 6 percent of their paychecks to the System each month. These contributions make up 29 percent of fund income.
- Employer Contributions: The General Assembly appropriates an actuarially determined amount to the System each year which contribute 11 percent to the fund income.
- Investment Earnings: Treasurer Cowell invests the System's contributions, and earnings from these investments help fund all of the System's benefits and accounts for approximately 60 percent of fund income.

TSERS provides retirement benefits for more than 500,000 working and retired teachers, state law enforcement officers and state employees.

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