Distribution of LI & Benefits Reserves
Job Aid FY 2023-24

1) Overview of the Legislative Salary & Benefits Increases Process

In the first year of the biennium, S.L. 2023-134 appropriated funds for increased benefit costs and provided legislatively mandated salary increases (LI) for eligible state employees. Please follow this link for a copy of the certification instructions.

S.L. 2023-134 certified LI and benefit appropriations into the following statewide NCFS agency reserve accounts:

Certification: Statewide NCFS Accounts:
57204000 Reserve - Legislative Increase Compensation Reserve (LI)
57206000 Reserve - Retirement System Contributions
57208000 Reserve - State Health Plan Contributions
48T00001 Reserve - Retiree Supplement

After completing FY 2023-24 certification, agencies submit a series of type-11 budget revisions to distribute these reserve funds to the appropriate salary and benefits accounts. This series of budget revisions **must be submitted and approved in the following order**:

Revision #1 – Budgets Legislative Compensation Increases (recurring)
Revision #2 – Budgets the **recurring adjustment** to Retirement Contributions (recurring)
Revision #3 – Budgets the **non-recurring adjustment** to Retirement Contributions (non-recurring)
Revision #4 – Budgets the adjustments to State Health Plan Contributions (recurring)
Revision #5 – Returns excess reserves to Salary Adjustment Reserve
Revision #6 (optional) – Realignment between reserve accounts to offset deficits
Revision #7 (optional) – Requests funds from Salary Adjustment Reserve to offset deficits
Revision #8 (optional) – Requests funds from Pay Plan Reserve to offset deficits

Please see the step-by-step guide in section 4 for details on how to complete each of these revisions.

2) Key Dates

- Agencies should finish initial distribution and realignment of LI and benefit accounts by **Friday January 5th, 2024.** (revisions #1-4 from above)
- Excess LI and benefit reserves must be returned via revision to OSBM budget code 19004 by **Friday January 5th**, **2024.** (revision #5 from above)
- Any agency LI and benefit shortages that require a request from budget code 19004 should be requested by **Friday January 12th, 2024.** (revision #6-7 from above)

3) Guidelines and Reminders

- State agencies **must** use the calculation methods prescribed in this job aid.
- All revisions should have an **effective date of 7/1/2023**.
- LI must be **budgeted by position** so the revision correctly interfaces with IBIS's Salary Control module. The Excel processing template and 'Upload & Process' feature in the Position's tab should be used for bulk changes to positions.
- These reserves are **only available for positions partially or fully-supported by the General Funds**. Agencies are responsible for budgeting the requisite requirements and receipts for partially or fully receipt-supported positions.
- Agency reserves may **not** be used to offset **<u>preexisting deficits</u>**.

  For example: If an agency has a deficit in its retirement account that predates the compensation increases outlined in S.L. 2023-134, it cannot use these reserves to cover that deficit.
- With OSBM approval, agencies may realign excess reserve funds from one agency reserve account to another to offset shortfalls in reserve availability.

  For example: If an agency has insufficient LI reserve funds to support the required compensation increases, it may realign excess funds from the other reserve accounts (State Health Plan Contributions, Retirement System Contributions) to cover this deficit.
- Agencies have discretion in giving increases to temporary employees but may not use funds from the reserve accounts to do so.
- Agency reserves may **not** be used to fund LIs for temporary positions paid out of 51310000 accounts.
- Agency reserves must be depleted **before** requesting funds from the Salary Adjustments Reserve, Budget Code 19004.
- Revisions aligning non-recurring funding needs or returns cannot be done with recurring funding.

  For example: if an agency has a non-recurring shortfall in retirement and a recurring surplus in LI reserves, it cannot realign recurring funding to cover the shortfall. The agency must first return the funds on a recurring basis to the Salary Adjustment Fund and then request a non-recurring amount from the Salary Adjustment Fund.

4) How to complete Budget Revisions to Distribute Reserve Funds

Please submit budget revisions in the following order as outlined below:

1. Revision 1: Recurring Legislative Compensation Increases

Calculate the LI amount based on **filled positions as of June 30, 2023**, **including those on leave of absence and leave without pay.** Remember, LI is budgeted for the employee not the position, so vacant positions are not included in this calculation.

This revision should include associated benefits (Social Security and Retirement rates from the **previous** fiscal year, FY 2022-23) and may include the incremental increase in longevity for relevant positions.

Salary, longevity, social security, and retirement amounts will be budgeted for both FY 2023-24 and FY 2024-25 in the revision and will be the same amount in both years.

Please note: The Social Security and Retirement Contribution rates used for this revision are those from the previous fiscal year, **not the new rates outlined in S.L. 2023-134**. Revisions 2 and 3 will budget for the new recurring and non-recurring increases to the retirement contribution rate.

<u>Process</u>
First, run the B0061 Legislative Increase Detail report in BEACON/Fiori Business Objects. Select the relevant 'Organizational Unit', select '2023' as the LI Effective Year, and select 'U-Updated' as the LI Version.

Second, run the *NC Budget to Actual (701) Certified Report (RPTBE006)* in NCFS for the June 2023 period. The YTD Actuals for account 51460000, funding source 1000, will be used to determine an agency's incremental change in longevity.

After running these reports, determine the LI amounts by using the calculations below:

<u>Calculation</u>

LI:	Current General Fund Supported Salary x 4%
Incremental Change in Longevity:	(6/30/23 Actual Longevity payments x 4%) = Allowable incremental change in longevity
Social Security:	(LI + incremental change in longevity) x 7.65%
Retirement:	(LI + incremental change in longevity) x **FY2022-23 recurring retirement rate** (see below)

<u>FY 2022-23 Recurring Retirement Rates</u>

TSERS	22.94%
LEO	27.94%
CJRS	43.63%
ORP	13.56%
LRS	28.67%

2. Revision 2: Recurring Retirement Contribution Adjustment

There will be **two revisions** necessary for the retirement contribution adjustments. The first revision will be for **recurring adjustments**. The second revision will be for **non-recurring adjustments**.

Vacant positions are included for retirement contribution rate adjustments because the increase is based on the position, not the employee.

Distributions from the Retiree Supplement Reserve are included in the FY 2023-24 non-recurring retirement rates below and will be included in agency benefit assessments from the Department of State Treasurer.

A	B	C	D	E	F
System	**FY 2022-23 Recurring Rate**	**FY2023-24 Recurring Rate**	**FY 2023-24 Total Rate (R+NR)**	**FY 2023-24 Recurring Change**	**FY 2023-24 Non-recurring Change**
TSERS	22.94%	23.82%	25.02%	0.88%	1.20%
LEO	27.94%	28.82%	30.02%	0.88%	1.20%
CJRS	43.63%	39.98%	42.42%	-3.65%	2.44%
ORP	13.56%	13.96%	14.09%	0.40%	0.13%
LRS	28.67%	25.75%	27.79%	-2.92%	2.04%

Note: Columns E and F are used in revision calculations, the remainder are for informational purposes only

Process

First, run the *NC Budget to Actual (701) Certified Report (RPTBE006)* in NCFS **after** the LI revision has posted to obtain the certified budget amounts for appropriations-supported salary and longevity.

Relevant salary and longevity accounts include:

- 511XXXXX accounts with a 1000 funding source
- 512XXXXX accounts with a 1000 funding source
- 51460000 with a 1000 funding source

Second, determine the increase in *recurring* retirement using the certified salary and longevity amounts and the recurring change to the retirement rate outlined in Column E the table above.

The recurring retirement amounts calculated will be budgeted for both FY 2023-24 and FY 2024-25 in the revision and will be the same in both years.

Calculation

Recurring retirement: (certified budget for salary + longevity) x **FY 2023-24 Recurring Change (Column E in table above)**

3. Revision 3: Non-recurring Retirement Contribution Adjustment Supported from the Retiree Supplement Reserve

Using the salary and longevity amounts from the recurring retirement contribution revision, determine the increase in *non-recurring* retirement contributions for FY 2023-24 using the certified salary and longevity amounts and the non-recurring change to the retirement rate outlined in Column F the table above.

Non-recurring retirement amounts will be budgeted only for FY 2023-24. There will be no adjustment in this revision for FY 2024-25.

Calculation

Non-recurring retirement: (certified budget for salary + longevity) x **FY 2023-24 Non-recurring Change (Column F in table above)**

Distribution of Non-recurring Retirement Receipts

The non-recurring retirement increase is funded using receipts from the Retiree Supplement Reserve for General Fund-supported positions. These receipts, budgeted in account 48T00001, funding source 1000, should be distributed to the appropriate budget funds in line with the distribution of non-recurring retirement requirements.

4. Revision 4: Recurring State Health Plan Contributions

Like Retirement Contribution adjustments, changes to Health Plan benefits are budgeted based on the position, not the employee.

Calculate State Health Plan changes by subtracting the FY 2022-23 contribution rate from the FY 2023- 24 rate, then multiply by the total number of appropriations-supported FTE, both filled and vacant.

State Health Plan contribution amounts will be budgeted for both FY 2023-24 and FY 2024-25 in the revision and will be the same in both years.

Calculation

State Health Plan Contribution: ($7,557 - $7,397) or **$160** x total FTE count

5. **Revision 5: Returning excess funds to Salary Adjustment Reserve**

   Agencies will return any excess LI and benefit reserves to the **Salary Adjustment Reserve, Statewide Budget Code 19004.**

   Amounts returned to the Salary Adjustment Reserve will be budgeted for both FY 2023-24 and FY 2024-25 in the revision and will be the same in both years.

6. **Revision 6: Realignment between reserve accounts (OPTIONAL)**

   With OSBM approval, agencies may use excess funds from one agency reserve account to offset deficits in another agency reserve account. The exact amounts in this realignment revision will be based on excess reserves available and the deficit amounts.

   Please note: The deficits eligible to be covered by these reserve funds must be a result of the mandatory compensation and benefits increases. Agencies cannot use reserve funds to cover existing deficits.

   Please note that recurring funds must be used for recurring shortfalls and non-recurring funds for non-recurring shortfalls.

   Amounts realigned between reserve accounts will be budgeted for both FY 2023-24 and FY 2024-25 in the revision and will be the same in both years.

7. **Revision 7: Requesting funds from Salary Adjustment Reserve (OPTIONAL)**

   If there are still deficits after the realignment revision, agencies may request funds required to cover the deficit from the **Salary Adjustment Reserve, Statewide Budget Code 19004.**

   Amounts requested from the Salary Adjustment Reserve will be budgeted for both FY 2023-24 and FY 2024-25 in the revision and will be the same in both years.

8. **Revision 8: Requesting funds from Pay Plan Reserve (OPTIONAL)**

   Per GS 143C-4-9(a), funds in the Pay Plan Reserve are available to agencies for statutory or scheduled salaries and benefits expenses where the appropriation is insufficient.

If applicable, after January 1, 2024, an agency should submit:

1. A detailed description of the pay plan design, including the salary or salary range at each step within the pay plan and the criteria for movement between steps of the pay plan.
2. Proof to OSBM that the agency has exhausted or is projected to exhaust funds appropriated for statutory or scheduled salary and benefit expenses.

For information on how to determine the amount of funds needed from the Pay Plan Reserve, please review the Calculating Pay Plan Reserve Requests job aid.

If approved by OSBM, the agency will submit a type-11 revision to request funds from the Pay Plan Reserve, Budget Code 19060.