

GENERAL ASSEMBLY OF NORTH CAROLINA  
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SENATE BILL DRS35195-MRp-102

Short Title: Realistic Evaluation of Actuarial Liabilities. (Public)

Sponsors: Senators B. Jackson, Wells, and Chaudhuri (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO REQUIRE STRESS TESTING FOR THE TEACHERS' AND STATE  
3 EMPLOYEES' RETIREMENT SYSTEM, AS RECOMMENDED BY THE PEW  
4 FOUNDATION; TO MAKE AMENDMENTS RELATED TO THE PENSION  
5 SOLVENCY FUND; AND TO MAKE TECHNICAL CORRECTIONS TO THE LAWS  
6 PERTAINING TO THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT  
7 SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM,  
8 THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE NORTH CAROLINA  
9 NATIONAL GUARD PENSION FUND, NORTH CAROLINA PUBLIC SCHOOL  
10 TEACHERS' AND PROFESSIONAL EDUCATORS' INVESTMENT PLAN, AND THE  
11 NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE  
12 EMPLOYEES.

13 The General Assembly of North Carolina enacts:

14  
15 **PART I. REQUIRE STRESS TESTING OF THE RETIREMENT SYSTEM AS**  
16 **RECOMMENDED BY THE PEW FOUNDATION**

17 **SECTION 1.(a)** G.S. 135-6(n) reads as rewritten:

18 "(n) In 1943, and at least once in each five-year period thereafter, the actuary shall ~~make~~  
19 complete an actuarial ~~investigation into~~ experience review of the mortality, service and  
20 compensation experience of the members and beneficiaries of the Retirement System, and shall  
21 make a valuation of the assets and liabilities of the funds of the System, and taking into account  
22 the result of such investigation and valuation, the Board of Trustees ~~shall~~ shall do all of the  
23 following:

- 24 (1) Adopt for the Retirement System such mortality, service and other tables as  
25 shall be deemed ~~necessary~~ and necessary.  
26 (2) Certify the rates of contributions payable by the State of North Carolina on  
27 account of new entrants at various ages."

28 **SECTION 1.(b)** G.S. 135-6 is amended by adding two new subsections to read:

29 "(n1) Prior to undertaking each quinquennial actuarial experience review, as required by  
30 this section, the Board of Trustees shall provide the General Assembly and the Governor a report  
31 that includes all of the following, as these items apply to the Retirement System:

- 32 (1) A description of, and the process used to determine, the investment return  
33 assumption utilized by the Board of Trustees when determining the  
34 contribution rates.  
35 (2) Projections of assets, liabilities, pension debt, service costs, employee  
36 contributions, employer contributions, net amortization, benefit payments,



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- 1 payroll, and funded ratio for the Retirement System for each of the next 30  
2 years based upon the then-current actuarial assumptions, including the  
3 assumed rate of return.
- 4 (3) Projections of assets, liabilities, pension debt, service costs, employee  
5 contributions, employer contributions, net amortization, benefit payments,  
6 payroll, and funded ratio for the Retirement System assuming that investment  
7 returns are two and four percentage points lower than the assumed rate of  
8 return and that the State makes employer contributions meeting all of the  
9 following:
- 10 a. The contributions are based upon the then-current funding policy for  
11 the Retirement System.
- 12 b. The contributions are held constant at the levels calculated for  
13 subdivision (2) of this subsection.
- 14 c. The contributions never exceed fifteen percent (15%) of projected total  
15 revenue available for appropriation by the General Assembly.
- 16 (4) Estimates for assets, liabilities, pension debt, service costs, employee  
17 contributions, employer contributions, net amortization, benefit payments,  
18 payroll, and funded ratio for the Retirement System, if there is a one-year loss  
19 on planned investments of twenty percent (20%) followed by a 20-year period  
20 of investment returns two percentage points below plan assumptions, with the  
21 following assumptions regarding contributions:
- 22 a. The contributions are based upon the then-current funding policy for  
23 the Retirement System.
- 24 b. The contributions are held constant at the levels calculated for  
25 subdivision (2) of this subsection.
- 26 c. The contributions never exceed fifteen percent (15%) of projected total  
27 revenue available for appropriation by the General Assembly.
- 28 (5) The estimated actuarially accrued liability, the total plan normal cost for all  
29 benefit tiers if multiple tiers exist, and the employer normal cost for all benefit  
30 tiers if multiple tiers exist, calculated using all of the following:
- 31 a. A discount rate equal to the assumed rate of return. If the discount rate  
32 used by the Retirement System is different from the investment return  
33 assumption, then the report shall provide a calculation of actuarially  
34 accrued liability based upon a discount rate that is two percent (2%)  
35 and four percent (4%) above and below the long-term rate of return  
36 actually used by the Board of Trustees.
- 37 b. The 10-year average of the yield of 30-year treasury notes.
- 38 (6) A description of the amortization period for any unfunded liabilities utilized  
39 by the Board of Trustees when determining the contribution rates.
- 40 (7) A calculation of the contribution rates based on an amortization period equal  
41 to the estimated average remaining service periods of employees covered by  
42 the contributions.
- 43 (8) A description of the interest assumption rate utilized by the Board of Trustees  
44 for reporting liabilities and the process used to determine that assumption.
- 45 (9) The market value of the assets controlled by the Board of Trustees and an  
46 explanation of how the actuarial value assigned to those assets differs from  
47 the market value of those assets.
- 48 (10) An assessment of how the changes of assumptions adopted by the Board of  
49 Trustees in the experience review affect any of the other results in the report.
- 50 (11) Any additional information deemed useful by the Board of Trustees or the  
51 Investment Advisory Committee under G.S. 147-69.2 to evaluate or adjust the

1 investment policy statement or to evaluate adherence to or risk associated with  
 2 statutory constraints on investments.

3 (12) Any additional information deemed useful by the Board to evaluate current or  
 4 prospective funding or contribution policies.

5 (n2) With regards to payment for the administration of subsections (n), (n1), and (o) of this  
 6 section, the Retirement Systems Division of the Department of State Treasurer may increase  
 7 receipts from the retirement assets of the corresponding retirement system or may pay the costs  
 8 directly from the retirement assets."

## 10 PART II. AMENDMENTS RELATED TO THE PENSION SOLVENCY FUND

11 SECTION 2.(a) G.S. 143C-4-10(c) is amended by adding a new subdivision to read:

12 "(3) Any funds, in an amount directed by the State Treasurer to be transferred, that  
 13 meet all of the following criteria:

14 a. The funds are the result of rebates received by the Department of State  
 15 Treasurer from a company administering supplemental voluntary  
 16 insurance benefits authorized under G.S. 120-4.32(b), 128-38.3(b),  
 17 135-18.8(b), or 135-75(b).

18 b. The funds are not owed to a company administering, or individuals  
 19 participating in, supplemental voluntary insurance benefits.

20 c. As determined by the Board of Trustees of the Retirement System, the  
 21 funds are not to be needed to pay future administrative costs of the  
 22 supplemental voluntary insurance benefits."

23 SECTION 2.(b) G.S. 135-48.5(a) reads as rewritten:

24 "(a) There are hereby established two health benefit trust funds, to be known as the Public  
 25 Employee Health Benefit Fund and the Health Benefit Reserve Fund for the payment of hospital  
 26 and medical benefits. As used in this section, the term "health benefit trust funds" refers to the  
 27 fund type described under G.S. 143C-1-3(a)(10).

28 All premiums, fees, charges, rebates, refunds or any other receipts including, but not limited  
 29 to, earnings on investments, occurring or arising in connection with health benefits programs  
 30 established by this Article, shall be deposited into the Public Employee Health Benefit Fund.  
 31 Disbursements from the Fund shall include any and all amounts required to pay the benefits and  
 32 administrative costs of such programs as may be determined by the Executive Administrator and  
 33 Board of Trustees.

34 Any unencumbered balance in excess of prepaid premiums or charges in the Public Employee  
 35 Health Benefit Fund at the end of each fiscal year shall be used ~~first, in the following order:~~

36 (1) ~~First, to provide an actuarially determined Health Benefit Reserve Fund for~~  
 37 ~~incurred but unrepresented ~~claims, second, claims.~~~~

38 (2) ~~Second, an amount determined by the State Treasurer, subject to approval by~~  
 39 ~~the Board of Trustees, that does not exceed fifty percent (50%) of any~~  
 40 ~~unencumbered balance remaining after providing for incurred but unrepresented~~  
 41 ~~claims may be transferred to the Retiree Health Benefit Fund, established~~  
 42 ~~under G.S. 135-7(f). Upon the direction and approval of, and in the amount~~  
 43 ~~specified by, the State Treasurer, the Office of State Budget Management shall~~  
 44 ~~transfer the amount in accordance with this subdivision.~~

45 (3) ~~Third, to reduce the premiums required in providing the benefits of the health~~  
 46 ~~benefits ~~programs, and third programs.~~~~

47 (4) ~~Fourth, to improve the plan, as may be provided by the General~~  
 48 ~~Assembly. State Treasurer, subject to approval by the Board of Trustees.~~

49 The balance in the Health Benefits Reserve Fund may be transferred from time to time to the  
 50 Public Employee Health Benefit Fund to provide for any deficiency occurring therein. The Public

1 Employee Health Benefit Fund and the Health Benefit Reserve Fund shall be deposited with the  
2 State Treasurer and invested as provided in G.S. 147-69.2 and ~~147-69.3~~.G.S. 147-69.3."

3 **SECTION 2.(c)** G.S. 143C-4-10 is amended by adding a new subsection to read:

4 "(g) Funds Do Not Revert. – No portion of the Fund shall be transferred to the General  
5 Fund, and any appropriation made to the Fund shall not revert."

6 **SECTION 2.(d)** This section becomes effective July 1, 2019.  
7

### 8 **PART III. TECHNICAL CHANGES**

9 **SECTION 3.(a)** G.S. 135-48.8(a) reads as rewritten:

10 "(a) The State of North Carolina deems it to be in the public interest for individual North  
11 Carolina firefighters, rescue squad workers, and members of the National Guard, and certain of  
12 their dependents, who are not eligible for any other type of comprehensive ~~group~~-health insurance  
13 or other comprehensive ~~group~~-health benefits, and who have been without any form of ~~group~~  
14 health insurance or other comprehensive ~~group~~-health benefit coverage for at least six  
15 consecutive months, to be given the opportunity to participate in the benefits provided by the  
16 State Health Plan for Teachers and State Employees. Coverage under the Plan shall be voluntary  
17 for eligible firefighters, rescue squad workers, and members of the National Guard who elect  
18 participation in the Plan for themselves and their eligible dependents."

19 **SECTION 3.(b)** G.S. 135-48.40(d)(13) reads as rewritten:

20 "(13) The following persons, their eligible spouses, and eligible dependent children,  
21 provided that the person seeking coverage as a subscriber (i) is not eligible for  
22 another comprehensive ~~group~~-health benefit plan and (ii) has been without  
23 coverage under a comprehensive ~~group~~-health benefit plan for at least six  
24 consecutive months:

- 25 a. Firefighters.
- 26 b. Rescue squad workers.
- 27 c. Persons receiving a pension from the North Carolina Firefighters' and  
28 Rescue Squad Workers' Pension Fund.
- 29 d. Members of the North Carolina National Guard.
- 30 e. Retirees of the North Carolina National Guard with 20 years of  
31 service.

32 For the purposes of this subdivision, Medicare benefits, Civilian Health and  
33 Medical Program of the Uniformed Services (CHAMPUS) benefits, and other  
34 Uniformed Services benefits shall be considered comprehensive ~~group~~-health  
35 benefit plans. The Plan may require certification of persons seeking coverage  
36 under this subdivision. Nothing in this section shall be construed to either (i)  
37 permit a person to enroll or (ii) require the Plan to enroll a person in the Plan  
38 when that enrollment may jeopardize the Plan's preferential tax exempt status  
39 as a governmental plan under the Internal Revenue Code."

40 **SECTION 4.** G.S. 135-66 reads as rewritten:

41 "**§ 135-66. Administration; management of ~~funds~~.funds; method of financing.**

42 (a) The State Treasurer shall be the custodian of the assets of this Retirement System and  
43 shall invest them in accordance with the provisions of G.S. 147-69.2 and ~~147-69.3~~.G.S. 147.69.3.

44 (b) The assets of this Retirement System shall include employers' contributions held with  
45 the Pension Accumulation Fund established under G.S. 135-8 and employees' contributions held  
46 in the Annuity Savings Fund similarly established under G.S. 135-8.

47 (c) The Board of Trustees shall have performed an annual actuarial valuation of the  
48 System and shall have the financial responsibility for maintaining the System on a generally  
49 accepted actuarial basis.

1       (d) An actuarially determined employer contribution shall be calculated annually by the  
2 actuary using assumptions and a cost method approved by the Actuarial Standards Board of the  
3 American Academy of Actuaries and selected by the Board of Trustees.

4       (e) Notwithstanding Chapter 150B of the General Statutes, the Board of Trustees may  
5 adopt a contribution policy that would recommend a contribution not less than the actuarially  
6 determined employer contribution.

7       (f) The recommended employer contribution rate by the Board of Trustees each year  
8 shall not be less than the actuarially determined employer contribution."

9       **SECTION 5.(a)** G.S. 127A-40(f) reads as rewritten:

10       "(f) The Board of Trustees of the Teachers' and State Employees' Retirement System shall  
11 administer the provisions of this section. The Secretary of Public Safety shall determine the  
12 eligibility of North Carolina National Guard members for the benefits provided in this section  
13 and shall certify those eligible to the Board of Trustees. In addition, the Department of Public  
14 Safety shall, on and after July 1, 1983, provide the Board of Trustees with an annual census  
15 population, by age and the number of years of creditable service, for all former members of the  
16 North Carolina National Guard in receipt of a pension as well as for all active members of the  
17 North Carolina National Guard who are not in receipt of a pension and who have seven and more  
18 years of creditable service. The Department of Public Safety shall also provide the Board of  
19 Trustees an annual census population of all former members of the North Carolina National  
20 Guard who are not in receipt of a pension and who have 15 and more years of creditable service.  
21 The Department of State Treasurer shall make pension payments to those persons certified from  
22 the North Carolina National Guard Pension Fund, ~~which shall include general fund~~  
23 ~~appropriations made to the Department of State Treasurer. The Board of Trustees shall have~~  
24 ~~performed an annual actuarial valuation of the fund and shall have the financial responsibility for~~  
25 ~~maintaining the fund on a generally accepted actuarial basis. The Department of Public Safety~~  
26 ~~shall provide the Department of State Treasurer with whatever assistance is required by the State~~  
27 ~~Treasurer in carrying out the State Treasurer's and the Board of Trustees' financial~~  
28 ~~responsibilities.Fund."~~

29       **SECTION 5.(b)** Article 3 of Chapter 127 of the General Statutes is amended by  
30 adding a new section to read:

31 **§ 127A-41. North Carolina National Guard Pension Fund.**

32       (a) As used in this section, the term "Board of Trustees" means the Board of Trustees of  
33 the Teachers' and State Employees' Retirement System.

34       (b) The North Carolina National Guard Pension Fund shall include general fund  
35 appropriations made to the Department of State Treasurer and held with the Pension  
36 Accumulation Fund of the Teachers' and State Employees' Retirement System.

37       (c) The Board of Trustees shall have performed an annual actuarial valuation of the Fund  
38 and shall have the financial responsibility for maintaining the Fund on a generally accepted  
39 actuarial basis.

40       (d) An actuarially determined employer contribution shall be calculated annually by the  
41 actuary using assumptions and a cost method approved by the Actuarial Standards Board of the  
42 American Academy of Actuaries and selected by the Board of Trustees.

43       (e) Notwithstanding Chapter 150B of the General Statutes, the Board of Trustees may  
44 adopt a contribution policy that would recommend a contribution not less than the actuarially  
45 determined employer contribution.

46       (f) The recommended employer contribution rate by the Board of Trustees each year  
47 shall not be less than the actuarially determined employer contribution.

48       (g) The Department of Public Safety shall provide the Department of State Treasurer with  
49 any assistance required by the State Treasurer in carrying out the financial responsibilities of the  
50 State Treasurer or the Board of Trustees."

51       **SECTION 6.(a)** G.S. 135-8 is amended by adding a new subsection to read:

1       "(f1) Felony Forfeiture Impact on Contribution-Based Benefit Cap. – If an employer made  
2 contributions on account of a retiree subject to the contribution-based benefit cap under  
3 G.S. 135-8(f)(2)f. and that retiree later forfeits retirement benefits under G.S. 128-38.4,  
4 128-38.3A, 135-18.10A, 135-18.30, 135-75.1, or 135-75.1A, then the Retirement Systems  
5 Division may provide a credit to the employer. This credit shall be calculated in an amount  
6 reflecting the impact of the forfeiture on the amount due under G.S. 135-4(jj)."

7           **SECTION 6.(b)** G.S. 128-30 is amended by adding a new subsection to read:

8       "(g1) Felony Forfeiture Impact on Contribution-Based Benefit Cap. – If an employer made  
9 contributions on account of a retiree subject to the contribution-based benefit cap under  
10 G.S. 135-8(f)(2)f. and that retiree later forfeits retirement benefits under G.S. 128-38.4,  
11 128-38.3A, 135-18.10A, 135-18.30, 135-75.1, or 135-75.1A, then the Retirement Systems  
12 Division may provide a credit to the employer. This credit shall be calculated in an amount  
13 reflecting the impact of the forfeiture on the amount due under G.S. 128-26(y)."

14           **SECTION 7.(a)** Article 1 of Chapter 135 of the General Statutes is amended by  
15 adding a new section to read:

16       "**§ 135-5.5. Inactive employers.**

17       (a) An employer shall be considered an inactive employer if all of the following criteria  
18 are met:

- 19       (1) The employer has no employees that qualify for membership in any System  
20 under this Chapter.
- 21       (2) The employer has made no employer contributions for at least one month.
- 22       (3) The employer makes a request in writing to the Retirement Systems Division  
23 of the Department of State Treasurer to be made inactive.
- 24       (4) The Retirement Systems Division of the State Treasurer has reviewed the  
25 employer request to become inactive and has granted that request. The  
26 Retirement Systems Division shall provide written notification to the  
27 requesting employer of any decisions made under this section.

28       (b) Not later than April 30 of each calendar year, the Retirement Systems Division of the  
29 Department of State Treasurer shall make a report to the Board on all employers who were  
30 determined to be inactive employers in that preceding calendar year."

31           **SECTION 7.(b)** Article 3 of Chapter 128 of the General Statutes is amended by  
32 adding a new section to read:

33       "**§ 128-23.1. Inactive employers.**

34       (a) An employer shall be considered an inactive employer if all of the following criteria  
35 are met:

- 36       (1) The employer has no employees that qualify for membership in the Retirement  
37 System.
- 38       (2) The employer has made no employer contributions for at least one month.
- 39       (3) The employer makes a request in writing to the Retirement Systems Division  
40 of the Department of State Treasurer to be made inactive.
- 41       (4) The Retirement Systems Division of the State Treasurer has reviewed the  
42 employer request to become inactive and has granted that request. The  
43 Retirement Systems Division shall provide written notification to the  
44 requesting employer of any decisions made under this section.

45       (b) Not later than April 30 of each calendar year, the Retirement Systems Division of the  
46 Department of State Treasurer shall make a report to the Board on all employers who were  
47 determined to be inactive employers in that preceding calendar year."

48           **SECTION 8.(a)** G.S. 159-33.1 reads as rewritten:

49       "**§ 159-33.1. Semiannual reports of financial information.**

50       The finance officer of each unit and public authority shall submit to the secretary on January  
51 1 and July 1 of each year ~~(or such year, or other dates as the secretary may prescribe)~~ prescribe.

1 a statement of financial information concerning the unit or public authority. The secretary may  
2 prescribe the information to be included in the statement and may prescribe the form of the  
3 statement; provided, however, the secretary shall prescribe that the finance officer of each city  
4 and county shall include in the statement the total revenues received from building inspections,  
5 by ~~type, source, and~~ the total expenditures paid from all revenues received, by ~~type, object.~~"

6 **SECTION 8.(b)** This section is effective June 30, 2019.

7 **SECTION 9.** G.S. 135-18.1(a) reads as rewritten:

8 "(a) ~~Any person who is a member of the Teachers' and State Employees' Retirement~~  
9 ~~System of North Carolina on July 1, 1951, and who was previously a member of the North~~  
10 ~~Carolina Governmental Employees' Retirement System, hereafter in this section referred to as~~  
11 ~~the local system, shall be entitled to transfer to this Retirement System his credits for membership~~  
12 ~~and prior service in the local system as of the date of termination of membership in the local~~  
13 ~~system, notwithstanding that his membership in the local system may have been terminated prior~~  
14 ~~to July 1, 1951: Provided, such member shall deposit in this Retirement System prior to January~~  
15 ~~1, 1952, the full amount of any accumulated contributions standing to his credit in, or previously~~  
16 ~~withdrawn from, the local system and shall apply to the Board of Trustees of this Retirement~~  
17 ~~System for a transfer of credit from the local system. Any~~ Prior to retirement, any person who  
18 was a member of the North Carolina Governmental Employees' Retirement System and who  
19 becomes a member of this Retirement System on or after July 1, 1951, shall be entitled prior to  
20 his retirement to transfer to this Retirement System his or her credits for membership and prior  
21 service in the local system: Provided, the actual transfer of employment is made while his account  
22 in the local system is active and such person shall request the local system to transfer his  
23 accumulated contributions, interest, and service credits to this Retirement System; provided  
24 further, with respect to any person who becomes a member of this Retirement System after July  
25 1, 1969, the local system agrees to transfer to this Retirement System the amount of reserve held  
26 in the local system as a result of previous contributions of the employer on behalf of the  
27 transferring employee. For the purposes of this section, the term "local system" means the North  
28 Carolina Governmental Employees' Retirement System."

29 **SECTION 10.(a)** G.S. 135-5.2 is repealed.

30 **SECTION 10.(b)** G.S. 135-13 is repealed.

31 **SECTION 10.(c)** G.S. 135-14 is repealed.

32 **SECTION 10.(d)** G.S. 135-14.1 is repealed.

33 **SECTION 10.(e)** G.S. 135-16 is repealed.

34 **SECTION 10.(f)** G.S. 135-18.3 is repealed.

35 **SECTION 10.(g)** G.S. 135-18.5 is repealed.

36 **SECTION 11.** G.S. 135-16.1 reads as rewritten:

37 "**§ 135-16.1. Blind or visually impaired employees, vendors.**

38 (a) ~~On July 1, 1971, all blind or visually impaired employees employed by the~~  
39 ~~Department of Health and Human Services shall be enrolled as members of the Teachers' and~~  
40 ~~State Employees' Retirement System. All such employees shall be given full credit for all service~~  
41 ~~theretofore as employees of the Department of Health and Human Services. All retired employees~~  
42 ~~drawing or receiving benefits from and under the private retirement plan purportedly created on~~  
43 ~~December 6, 1966, by the Bureau of Employment for the Blind Division pursuant to a trust~~  
44 ~~agreement purportedly entered into with a private banking institution as trustee shall continue to~~  
45 ~~be paid by the Teachers' and State Employees' Retirement System benefits in the same amount~~  
46 ~~which they purportedly were entitled to under the private retirement plan and trust agreement,~~  
47 ~~except that such retired persons shall be eligible for such annual cost of living increases as may~~  
48 ~~be provided for retirement members of the Teachers' and State Employees' Retirement System~~  
49 ~~under the provisions of this Article.~~

1       ~~(b) Upon the enrollment of the employees in the Teachers' and State Employees'~~  
2 ~~Retirement System, the purported private retirement plan and trust agreement hereinabove~~  
3 ~~referred to shall be dissolved and terminated.~~

4       ~~(e) Notwithstanding the foregoing, blind persons~~ Persons licensed by the State and  
5 operating vending facilities under contract with the Department of Health and Human Services,  
6 Division of Services for the Blind and its successors, ~~hereinafter referred to as licensed vendors,~~  
7 ~~so who are~~ licensed on and after October 1, 1983, shall not be members of the Retirement System.  
8 ~~All licensed vendors in service or who are members of the Retirement System before October 1,~~  
9 ~~1983, shall make an irrevocable election to do one of the following:~~

10       ~~(1) Continue contributing membership service as if an employee under the same~~  
11 ~~conditions and requirements as are otherwise provided, and have the rights of a member to all~~  
12 ~~benefits and a retirement allowance;~~

13       ~~(2) Receive a return of accumulated contributions with cessation of contributing~~  
14 ~~membership service, under G.S. 135-5(f), and in any event with regular interest regardless of~~  
15 ~~membership service; or~~

16       ~~(3) Terminate contributing membership service and be entitled alternatively to the~~  
17 ~~benefits and allowances provided under G.S. 135-3(8) or 135-5(a)."~~

18       **SECTION 12.** G.S. 128-23(b) reads as rewritten:

19       "(b) Pursuant to the favorable vote of a majority of the employees of the county, the board  
20 of commissioners of any county may, by resolution legally adopted and approved by the Board  
21 of Trustees, elect to have its employees become eligible to participate in the Retirement System.  
22 Each county is authorized to make appropriations for these purposes and to fund them by levy of  
23 property taxes ~~pursuant to G.S. 153-65~~ as authorized by Article 7 of Chapter 153A of the General  
24 Statutes and by the allocation of other revenues whose use is not otherwise restricted by law."

25       **SECTION 13.** G.S. 115D-25.4 is amended by adding a new subsection to read:

26       "(c) The administrative costs of the North Carolina Public School Teachers' and  
27 Professional Educators' Investment Plan may be charged to members or deducted from members'  
28 accounts in accordance with nondiscriminatory procedures established by the Department of  
29 State Treasurer and Board of Trustees."

30       **SECTION 14.(a)** G.S. 135-6.1 is amended by adding a new subsection to read:

31       "(e1) The Retirement Systems Division of the Department of State Treasurer may disclose  
32 to employers and former employers that made a contribution for an employee or former employee  
33 to the Retirement System any information that is not public under this Section regarding that  
34 employee necessary to conduct the business of the Retirement System. Employers and former  
35 employers in receipt of this information shall treat the information as confidential and this  
36 information shall not be a public record."

37       **SECTION 14.(b)** G.S. 135-8(f)(2)f. reads as rewritten:

38       "f. Each employer shall transmit to the Retirement System on account of  
39 each member who retires on or after January 1, 2015, having earned  
40 his or her last month of membership service as an employee of that  
41 employer the lump sum payment, as calculated under G.S. 135-4(jj)  
42 for inclusion in the Pension Accumulation Fund, that would have been  
43 necessary in order for the retirement system to restore the member's  
44 retirement allowance to the pre cap amount. Employers are not  
45 required to make contributions on account of any retiree who became  
46 a member on or after January 1, 2015, and who earned at least five  
47 years of membership service in the Retirement System after January  
48 1, 2015. The retirement allowance of a member with a final average  
49 compensation of more than one hundred thousand dollars (\$100,000),  
50 as hereinafter indexed, shall not be subject to the contribution based  
51 benefit cap if the compensation was earned from multiple



1 simultaneous employers, unless an employer's share of the average  
2 final compensation exceeds one hundred thousand dollars (\$100,000).  
3 An employer is not required to make contributions on account of any  
4 retiree whose final average compensation exceeds one hundred  
5 thousand dollars (\$100,000), as hereinafter indexed, based upon  
6 compensation earned from multiple simultaneous employers, unless  
7 that employer's share of the average final compensation exceeds one  
8 hundred thousand dollars (\$100,000), as provided and indexed under  
9 G.S. 135 5(a3).

10 Under such rules as the Board of Trustees shall adopt, the  
11 Retirement System shall report monthly to each employer a list of  
12 those members for whom the employer made a contribution to the  
13 Retirement System in the preceding month that are most likely to  
14 require an additional employer contribution should they elect to retire  
15 in the following 12 months, if applicable. Reports received under this  
16 section shall not be public records. Employers or former employers in  
17 receipt of a report under this section shall treat the report, and the  
18 information contained within that report, as confidential and as though  
19 it were still held by the Retirement System under G.S. 135-6.1."

20 **SECTION 14.(c)** G.S. 135-8(j) reads as rewritten:

21 "(j) Pension Spiking Report. – Upon receipt of a report from the Retirement System  
22 generated pursuant to G.S. 135-8(f)(2)f., containing a list of employees for whom the employer  
23 made a contribution to the North Carolina Teachers' and State Employees' Retirement System  
24 that is likely to require an additional employer contribution should the employee elect to retire in  
25 the following 12 months, the employer's chief financial officer shall transmit a copy of the report  
26 to the chief executive of the employer, as well as to the governing body of the employer, including  
27 any board which exercises financial oversight of the employer, if ~~applicable.~~ the employer has a  
28 governing body. Reports received under this section shall not be public records. Employers or  
29 former employers in receipt of a report under this section shall treat the report, and the  
30 information contained within that report, as confidential and as though it were still held by the  
31 Retirement System under G.S. 135-6.1."

32 **SECTION 14.(d)** G.S. 128-33.1 is amended by adding a new subsection to read:

33 "(e1) The Retirement Systems Division of the Department of State Treasurer may disclose  
34 to employers or former employers that made a contribution for an employee or former employee  
35 to the Retirement System any information not public under this Section regarding that employee  
36 necessary to conduct the business of the Retirement System. Employers and former employers  
37 in receipt of this information shall treat the information as confidential and this information shall  
38 not be a public record."

39 **SECTION 14.(e)** G.S. 128-30(g)(2)b. reads as rewritten:

40 "b. Each employer shall transmit to the Retirement System on account of  
41 each member who retires on or after January 1, 2015, having earned  
42 his or her last month of membership service as an employee of that  
43 employer the lump sum payment, as calculated under G.S. 128-26(y)  
44 for inclusion in the Pension Accumulation Fund, that would have been  
45 necessary in order for the retirement system to restore the member's  
46 retirement allowance to the pre-cap amount. Employers are not  
47 required to make contributions on account of any retiree who became  
48 a member on or after January 1, 2015, and who earned at least five  
49 years of membership service in the Retirement System after January  
50 1, 2015. The retirement allowance of a member with a final average  
51 compensation of more than one hundred thousand dollars (\$100,000),

1 as hereinafter indexed, shall not be subject to the contribution-based  
2 benefit cap if the compensation was earned from multiple  
3 simultaneous employers, unless an employer's share of the average  
4 final compensation exceeds one hundred thousand dollars (\$100,000).  
5 An employer is not required to make contributions on account of any  
6 retiree whose final average compensation exceeds one hundred  
7 thousand dollars (\$100,000), as hereinafter indexed, based upon  
8 compensation earned from multiple simultaneous employers, unless  
9 that employer's share of the average final compensation exceeds one  
10 hundred thousand dollars (\$100,000), as provided and indexed under  
11 G.S. 128-27(a3).

12 Under such rules as the Board of Trustees shall adopt, the  
13 Retirement System shall report monthly to each employer a list of  
14 those members for whom the employer made a contribution to the  
15 Retirement System in the preceding month that are most likely to  
16 require an additional employer contribution should they elect to retire  
17 in the following 12 months, if applicable. Reports received under this  
18 section shall not be public records. Employers or former employers in  
19 receipt of a report under this section shall treat the report, and the  
20 information contained within that report, as confidential and as though  
21 it were still held by the Retirement System under G.S. 128-33.1."

22 **SECTION 14.(f)** G.S. 128-30(j) reads as rewritten:

23 "(j) Pension Spiking Report. – Upon receipt of a report from the Retirement System  
24 generated pursuant to G.S. 128-30(g)(2)b., containing a list of employees for whom the employer  
25 made a contribution to the North Carolina Local Governmental Employees' Retirement System  
26 that is likely to require an additional employer contribution should the employee elect to retire in  
27 the following 12 months, the employer's chief financial officer shall transmit a copy of the report  
28 to the governing body of the employer, if ~~applicable~~ the employer has a governing body. Reports  
29 received under this section shall not be public records. Employers and former employers in  
30 receipt of a report under this section shall treat the report, and the information contained within  
31 that report, as confidential and as though it were still held by the Retirement System under  
32 G.S. 128-33.1."

33 **SECTION 15.** G.S. 135-48.47 reads as rewritten:

34 "**§ 135-48.47. Participation in State Health Plan by local government employees and**  
35 **dependents.**

36 ...

37 (d) Local governments participating in the Plan as of April 1, 2016, may elect to withdraw  
38 from participating in the Plan effective January 1, 2017. Notice of withdrawal must be given by  
39 the local government to the Plan no later than September 15, 2016.

40 (e) Except as permitted under subsection (d) of this section, a local government unit's  
41 election to participate in the Plan is irrevocable."

42 **SECTION 16.** G.S. 147-69.7(b)(1)f. reads as rewritten:

43 "f. With respect to the Retirement Systems defined in ~~G.S. 147-69.2(d)~~  
44 G.S. 147-69.2(b)(8) and any other pension plans, the adequacy of  
45 funding for the Retirement Systems based on reasonable actuarial  
46 factors."

47 **SECTION 17.** Except as otherwise provided, this act is effective when it becomes  
48 law.