

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019

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SENATE BILL 488
PROPOSED COMMITTEE SUBSTITUTE S488-PCS45289-TVp-26

Short Title: Realistic Evaluation of Actuarial Liabilities.

(Public)

Sponsors:

Referred to:

April 3, 2019

A BILL TO BE ENTITLED

AN ACT TO REQUIRE STRESS TESTING FOR THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, AS RECOMMENDED BY THE PEW FOUNDATION; TO MAKE AMENDMENTS RELATED TO THE PENSION SOLVENCY FUND; AND TO MAKE TECHNICAL CORRECTIONS TO THE LAWS PERTAINING TO THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE NORTH CAROLINA NATIONAL GUARD PENSION FUND, NORTH CAROLINA PUBLIC SCHOOL TEACHERS' AND PROFESSIONAL EDUCATORS' INVESTMENT PLAN, AND THE NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES.

The General Assembly of North Carolina enacts:

PART I. REQUIRE STRESS TESTING OF THE RETIREMENT SYSTEM AS RECOMMENDED BY THE PEW FOUNDATION

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

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

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

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

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

- (1) A description of, and the process used to determine, the investment return assumption utilized by the Board of Trustees when determining the contribution rates.
- (1a) An estimate of the range of likely employer contributions over 20 years based on analysis that simulates the volatility of annual investment returns above



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

- 1 (10) An assessment of how the changes of assumptions adopted by the Board of
 2 Trustees in the experience review affect any of the other results in the report.
 3 (11) Any additional information deemed useful by the Board of Trustees or the
 4 Investment Advisory Committee under G.S. 147-69.2 to evaluate or adjust the
 5 investment policy statement or to evaluate adherence to or risk associated with
 6 statutory constraints on investments.
 7 (12) Any additional information deemed useful by the Board to evaluate current or
 8 prospective funding or contribution policies.

9 (n2) With regards to payment for the administration of subsections (n), (n1), and (o) of this
 10 section, the Retirement Systems Division of the Department of State Treasurer may increase
 11 receipts from the retirement assets of the corresponding retirement system or may pay the costs
 12 directly from the retirement assets."
 13

14 PART II. AMENDMENTS RELATED TO THE PENSION SOLVENCY FUND

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

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

- 18 a. The funds are the result of rebates received by the Department of State
 19 Treasurer from a company administering supplemental voluntary
 20 insurance benefits authorized under G.S. 120-4.32(b), 128-38.3(b),
 21 135-18.8(b), or 135-75(b).
 22 b. The funds are not owed to a company administering, or individuals
 23 participating in, supplemental voluntary insurance benefits.
 24 c. As determined by the Board of Trustees of the Retirement System, the
 25 funds are not to be needed to pay future administrative costs of the
 26 supplemental voluntary insurance benefits."

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

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

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

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

- 40 (1) First, to provide an actuarially determined Health Benefit Reserve Fund for
 41 incurred but unrepresented ~~elaims,~~ ~~second,~~ ~~claims.~~
 42 (2) Second, an amount determined by the State Treasurer, subject to approval by
 43 the Board of Trustees, that does not exceed twenty-five percent (25%) of any
 44 unencumbered balance remaining after providing for incurred but unrepresented
 45 claims may be transferred to the Retiree Health Benefit Fund, established
 46 under G.S. 135-7(f). Upon the direction and approval of, and in the amount
 47 specified by, the State Treasurer, the Office of State Budget Management shall
 48 transfer the amount in accordance with this subdivision.
 49 (3) Third, to reduce the premiums required in providing the benefits of the health
 50 benefits ~~programs,~~ and ~~third~~ ~~programs.~~

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

The balance in the Health Benefits Reserve Fund may be transferred from time to time to the Public Employee Health Benefit Fund to provide for any deficiency occurring therein. The Public Employee Health Benefit Fund and the Health Benefit Reserve Fund shall be deposited with the State Treasurer and invested as provided in G.S. 147-69.2 and ~~147-69.3~~. G.S. 147-69.3."

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

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

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

PART III. TECHNICAL CHANGES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34 "**§ 127A-41. North Carolina National Guard Pension Fund.**

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

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

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

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

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

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

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

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

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

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

12 "(g1) Felony Forfeiture Impact on Contribution-Based Benefit Cap. – If an employer made
13 contributions on account of a retiree subject to the contribution-based benefit cap under
14 G.S. 135-8(f)(2)f. and that retiree later forfeits retirement benefits under G.S. 128-38.4,
15 128-38.3A, 135-18.10A, 135-18.30, 135-75.1, or 135-75.1A, then the Retirement Systems
16 Division may provide a credit to the employer. This credit shall be calculated in an amount
17 reflecting the impact of the forfeiture on the amount due under G.S. 128-26(y)."

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

20 "**§ 135-5.5. Inactive employers.**

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

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

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

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

37 "**§ 128-23.1. Inactive employers.**

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

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

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

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

2 "**§ 159-33.1. Semiannual reports of financial information.**

3 The finance officer of each unit and public authority shall submit to the secretary on January
4 1 and July 1 of each year ~~(or such year, or other dates as the secretary may prescribe)~~ prescribe,
5 a statement of financial information concerning the unit or public authority. The secretary may
6 prescribe the information to be included in the statement and may prescribe the form of the
7 statement; provided, however, the secretary shall prescribe that the finance officer of each city
8 and county shall include in the statement the total revenues received from building inspections,
9 by ~~type, source,~~ and the total expenditures paid from all revenues received, by ~~type, object.~~"

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

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

12 "~~(a) Any person who is a member of the Teachers' and State Employees' Retirement~~
13 ~~System of North Carolina on July 1, 1951, and who was previously a member of the North~~
14 ~~Carolina Governmental Employees' Retirement System, hereafter in this section referred to as~~
15 ~~the local system, shall be entitled to transfer to this Retirement System his credits for membership~~
16 ~~and prior service in the local system as of the date of termination of membership in the local~~
17 ~~system, notwithstanding that his membership in the local system may have been terminated prior~~
18 ~~to July 1, 1951: Provided, such member shall deposit in this Retirement System prior to January~~
19 ~~1, 1952, the full amount of any accumulated contributions standing to his credit in, or previously~~
20 ~~withdrawn from, the local system and shall apply to the Board of Trustees of this Retirement~~
21 ~~System for a transfer of credit from the local system. Any~~ Prior to retirement, any person who
22 was a member of the North Carolina Governmental Employees' Retirement System and who
23 becomes a member of this Retirement System on or after July 1, 1951, shall be entitled prior to
24 his retirement to transfer to this Retirement System his or her credits for membership and prior
25 service in the local system: Provided, the actual transfer of employment is made while his account
26 in the local system is active and such person shall request the local system to transfer his
27 accumulated contributions, interest, and service credits to this Retirement System; provided
28 further, with respect to any person who becomes a member of this Retirement System after July
29 1, 1969, the local system agrees to transfer to this Retirement System the amount of reserve held
30 in the local system as a result of previous contributions of the employer on behalf of the
31 transferring employee. For the purposes of this section, the term "local system" means the North
32 Carolina Governmental Employees' Retirement System."

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

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

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

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

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

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

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

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

41 "**§ 135-16.1. Blind or visually impaired employees-vendors.**

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

1 be provided for retirement members of the Teachers' and State Employees' Retirement System
2 under the provisions of this Article.

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

6 (e) ~~Notwithstanding the foregoing, blind persons~~ Persons licensed by the State and
7 operating vending facilities under contract with the Department of Health and Human Services,
8 Division of Services for the Blind and its successors, ~~hereinafter referred to as licensed vendors,~~
9 ~~so who are~~ licensed on and after October 1, 1983, shall not be members of the Retirement System.
10 All licensed vendors in service or who are members of the Retirement System before October 1,
11 1983, shall make an irrevocable election to do one of the following:

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

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

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

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

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

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

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

32 **SECTION 14.(a)** G.S. 135-6.1 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 and former employers that made a contribution for an employee or former employee
35 to the Retirement System any information that is not public under this Section regarding that
36 employee necessary to conduct the business of the Retirement System. Employers and former
37 employers in receipt of this information shall treat the information as confidential and this
38 information shall not be a public record."

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

40 "f. 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. 135-4(jj)
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. 135 5(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. 135-6.1."

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

23 "(j) Pension Spiking Report. – Upon receipt of a report from the Retirement System
24 generated pursuant to G.S. 135-8(f)(2)f., containing a list of employees for whom the employer
25 made a contribution to the North Carolina Teachers' and State 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 chief executive of the employer, as well as to the governing body of the employer, including
29 any board which exercises financial oversight of the employer, if applicable. the employer has a
30 governing body. Reports received under this section shall not be public records. Employers or
31 former employers in receipt of a report under this section shall treat the report, and the
32 information contained within that report, as confidential and as though it were still held by the
33 Retirement System under G.S. 135-6.1."

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

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

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

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

1 1, 2015. The retirement allowance of a member with a final average
2 compensation of more than one hundred thousand dollars (\$100,000),
3 as hereinafter indexed, shall not be subject to the contribution-based
4 benefit cap if the compensation was earned from multiple
5 simultaneous employers, unless an employer's share of the average
6 final compensation exceeds one hundred thousand dollars (\$100,000).
7 An employer is not required to make contributions on account of any
8 retiree whose final average compensation exceeds one hundred
9 thousand dollars (\$100,000), as hereinafter indexed, based upon
10 compensation earned from multiple simultaneous employers, unless
11 that employer's share of the average final compensation exceeds one
12 hundred thousand dollars (\$100,000), as provided and indexed under
13 G.S. 128-27(a3).

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

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

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

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

36 "**§ 135-48.47. Participation in State Health Plan by local government employees and**
37 **dependents.**

38 ...

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

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

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

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

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