

2015-2016

**HOUSE
PENSIONS &
RETIREMENT**

MINUTES

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

<u>MEMBER</u>	<u>ASSISTANT</u>	<u>PHONE</u>	<u>OFFICE</u>	<u>SEAT</u>
Chair Rep. Stephen Ross	Laura Spratley	733-5820	2221	37
Chair Rep. Allen McNeill	Laura Sullivan	715-4946	418C	56
Vice Chair Rep. Mickey Michaux	Anita Wilder	715-2528	1227	11
Rep. Larry M. Bell	Carolyn Edwards	733-5863	510	21
Rep. Dan Bishop	David Larson	715-3009	607	100
Rep. John Blust	Gennie Thurlow	733-5781	2208	49
Rep. Brian Brown	Theresa Lopez	733-5757	604	90
Rep. Jeffrey Elmore	Linda Stevenson	733-5935	306A	96
Rep. Rosa Gill	Lisa Ray	733-5880	1303	87
Rep. Yvonne Lewis Holley	Lee Lewis	733-5758	1213	95
Rep. Pat Hurley	Deborah Holder	733-5865	532	10
Rep. James Langdon	Thomas Goffe	733-5849	417B	17
Rep. Ken Waddell	Sherry Jordan	733-5821	403B	80



HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
2015 SESSION

Clerks: Laura Spratley & Laura Sullivan



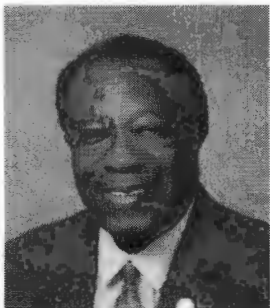
Rep. Allen McNeill, Chair



Rep. Stephen Ross, Chair



**Rep. Mickey Michaux
Vice-Chair**



Rep. Larry Bell



Rep. Dan Bishop



Rep. John Blust



Rep. Brian Brown



Rep. Jeffrey Elmore



Rep. Rosa Gill



**Rep. Yvonne Lewis
Holley**



Rep. Pat Hurley



**Rep. James H.
Langdon**



Rep. Ken Waddell



MINUTES

Joint Pensions & Retirement and Aging

March 3, 2015

The Joint Pensions & Retirement and Aging committee met on Tuesday, March 3, 2015 at 10:00 a.m. The meeting was held in room 423 of the Legislative Office Building. Thirteen Senate members of the committee were present. Senator Tom Apodaca presided.

Senator Apodaca introduced the Pages and the Sergeant at Arms. Senator Apodaca introduced members of the North Carolina Retirement Division for a presentation. The following are who spoke to the committee:

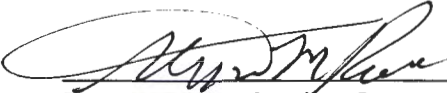
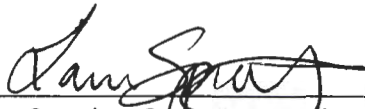
Steve Toole- Deputy Treasurer of the NC Retirement Division

Sam Watts- Policy Analyst for the NC Retirement Division

Tony Solari- Director of Governmental Relations for the NC Retirement Division

Senator Apodaca opened the floor for questions from the members.

The meeting adjourned at 11:05 a.m.


Representative Stephen Ross
Laura Spratley, Committee Assistant



ATTENDANCE

House Committee on Pensions and Retirement

[illegible]



**Senate Committee on Pensions & Retirement and Aging
Tuesday, March 3, 2015, 10:00 AM
544 Legislative Office Building**

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Presentations

Steve Toole: Deputy Treasurer of the Retirement Division

Sam Watts: Policy Analyst, Retirement Division

Tony Solari: Director of Government Relations

Other Business

Adjournment



Corrected #1: Room 423 LOB

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
JOINT COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Pensions and Retirement** will meet **JOINTLY** as follows:

DAY & DATE: Tuesday, March 3, 2015
TIME: 10:00 AM
LOCATION: 423 LOB
COMMENTS: Sorry Last Room Change.

Respectfully,

Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 2:49 PM on Tuesday, September 08, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Laura Spratley (Committee Assistant)





JANET COWELL
TREASURER

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

STEVE TOOLE
RETIREMENT SYSTEMS DIRECTOR

Retirement Administrative Changes Act of 2015

North Carolina's 918,000 public employees and retirees rely on the integrity, knowledge, and judgment of the Department of State Treasurer to ensure their pensions are protected. This legislative proposal incorporates provisions that will clarify interpretations of current law and increase efficiency of administration of the retirement systems administered by the Department. These changes affect the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System.

SECTION ONE: Change Term Length and Impose Term Limits for Supplemental Board Members

The section changes the length of terms for members of the Supplemental Retirement Board of Trustees from two years to three years. It also sets a limit of two consecutive terms and staggers the expiration of the terms, as recommended by the Association of Governing Boards of Universities and Colleges, in order to ensure stability, flexibility, and continuity of governance.

SECTION TWO: Revenue from Food Service Contracts to Fund Veterans Scholarships

This section authorizes the Department of State Treasurer to contract with outside vendors for food services for employees. The net proceeds from such contracts will be transferred to the Department of Administration to fund the scholarship program for children of North Carolina's war veterans.

SECTION THREE: Clarify Investment Statutes for Commingled Fixed Income

Amends the types of investment entity structures that are authorized for the State's externally managed fixed income investments. Currently, commingled vehicles such as limited partnerships, limited liability companies, and group trusts are authorized for the State Treasurer's other asset classes, but not fixed income. This provision would amend existing law to authorize externally managed fixed income investments to be made either by commingled structures or by investment management agreements, giving investments staff flexibility to evaluate the most cost-effective structures.

GF LOOP

Daily Deposit ACT Correction

SECTION FOUR: Clarify Statute to Encourage Volunteer Service during Separation of Service

This section clarifies the volunteer service provision in the definition of retirement under TSERS so as not to discourage retirees from working as volunteers in positions normally classified as bona fide unpaid volunteer positions during the six months following their effective date of retirement (the "separation of service" period). This clarification is intended to reduce the uncertainty surrounding return-to-work restrictions in statute and thereby encourage retirees to work as volunteers for State agencies. Additionally, this section includes a technical correction that clarifies the distinction between the definition of retirement under TSERS and the definition of retirement for judges.



SECTION FIVE: Extend 403(b) Plan to North Carolina Community College System

This section extends eligibility to participate in the 403(b) supplemental retirement program to teachers and faculty of the North Carolina Community College System.

SECTION SIX: Require Employer Attestations of Data Accuracy

This section requires participating employers to attest to the accuracy of their monthly data submissions to the Retirement Systems Division as part of ongoing annual audit procedures. Additionally, employers would be required to share the findings of this audit process in order to allow the Retirement Systems to identify and correct error patterns and increase the overall accuracy of the census data upon which the retirement systems' actuarial valuations are based.

SECTION SEVEN: Improve Tools to Collect Monies Owed to the Retirement Systems

This section improves the tools available to collect monies owed to the Retirement Systems by allowing the Office of State Budget and Management (OSBM) to redirect a portion of State-appropriated funds equivalent to the amount of monthly contributions due to the Retirement Systems if an employer fails to submit payment within 90 days.

SECTION EIGHT: Clarify Rule-Making Provisions

This section grants the Boards of Trustees the flexibility to prevent the expiration of administrative rules that protect inchoate rights.

SECTION NINE: Clarify Application of the 1,000-Hour Rule for LGERS Membership

As recommended by the Department Committee reviewing Return-to-Work Legislation, this section clarifies the application of the "1,000-Hour Rule" and revises the definition of "employee" to exclude temporary employees and statutorily defined Interim City and County Managers.

SECTION TEN: Procurement Flexibility for Purchasing Contracts

This section allows the Board of Trustees to set a threshold below which the Retirement Systems may use competitive bid procedures established by the Board of Trustees for certain purchasing contracts.

SECTION ELEVEN: Purchasing Flexibility

This section adds a provision to allow the Board of Trustees to set a threshold below which the Retirement Systems may purchase supplies, equipment, and materials available under State term contracts from noncertified sources. This provision stipulates that the Retirement Systems may enter into such purchasing contracts if the delivered price from these sources is less than that on term contract, and if the items are the same or substantially similar in quality, service, and performance and have all the same features, terms, and conditions as those on term contract.

SECTION TWELVE: Human Resources Flexibility for Retirement Systems Division

This section provides a limited exemption from the State Human Resources Act for Retirement Systems Division in order to achieve parity with other Divisions operating similar programs within the Department of State Treasurer.

SECTION THIRTEEN: Clarify Procedures for Required Minimum Distributions

This section clarifies the procedures for paying a member's Required Minimum Distributions from the member's accumulated contributions to the Retirement Systems and the conditions under which these procedures apply.



SECTION FOURTEEN: Adjust Calculation of Final Compensation for Death Benefit Payments

This section replaces the current calculation of death benefit payments to members who die in active service with a flat-rate benefit payment of \$50,000, regardless of final compensation. This change eliminates ambiguity in the proper calculation of final compensation, reduces the administrative complexity associated with death benefit payments, and establishes a more consistent and equitable benefit for all members of the Retirement Systems.

SECTION FIFTEEN: RTW Enforcement Flexibility

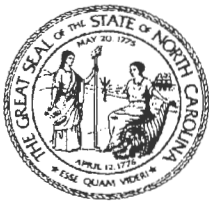
This section changes the enforcement policy for *de minimus* separation of service violations.

SECTION SIXTEEN: Effective Date

This act becomes effective July 1, 2015.

Prepared by the Retirement Systems Division staff, January 21, 2015





JANET COWELL
TREASURER

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

STEVE TOOLE
RETIREMENT SYSTEMS DIRECTOR

Agency Participation Procedures Act of 2015

This act revises the procedures for entry to and exit from the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS) by public agencies in order to protect the fiscal integrity of the systems.

Statutes Affected: 135-5.3; 120-114; 135-8; 128-30

SECTION ONE: Remove Barriers to Participation for Charter Schools

This section removes the 30-day time limit restriction for charter schools to elect to participate in TSERS and requires the board of directors of an entering charter school to adopt a written resolution acknowledging acceptance of the terms and conditions of membership, including the exit procedures in Section Three. This section also provides that the Board of Trustees will approve entry for a charter school based on the results of an actuarial, financial, and legal review.

SECTION TWO: Require Review Prior to Changing Employer Participation in TSERS or LGERS

This section requires the Fiscal Research Division to obtain an opinion from the Attorney General for any legislation that would add an agency to TSERS or LGERS to evaluate whether the agency is eligible for participation. It also requires the Fiscal Research Division to obtain an estimate of the cost of the applicable withdrawal liability for any legislation that would remove an agency from TSERS or LGERS.

SECTION THREE: Require Payment of Withdrawal Liability for an Exiting Agency

This section requires any agency exiting the Retirement Systems that has participated in TSERS or LGERS for more than one year to pay a withdrawal liability before exiting. This withdrawal liability is determined by the Boards of Trustees on advice of the consulting actuary to reflect the exiting agency's share of the System's unfunded accrued actuarial liability plus a risk premium that covers the increased investment, mortality and other actuarial risk for the exiting agency's participants until all benefit obligations for these participants have been paid.

SECTION FOUR: Effective Date

This act becomes effective July 1, 2015

Prepared by Retirement Systems Division staff, January 26, 2015





JANET COWELL
TREASURER

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

STEVE TOOLE
RETIREMENT SYSTEMS DIRECTOR

Retirement Technical Corrections Act of 2015

Based upon existing statutory authority, the Department of State Treasurer aims to provide public employees and retirees, including teachers, police officers, firefighters, and public servants from all over the state with secure pensions and retirement. In some instances, the Retirement Systems Division must provide necessary corrections and clarifications to existing statutes and laws to continually provide this service to members. These changes affect the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS).

Statutes Affected: 114-2.4A; 128-29.1; 128-38.10; 135-1; 135-151

SECTION ONE: Clarify TSERS Membership Definition

This section clarifies the definition of membership in TSERS. These revisions observe the opinion of NC Supreme Court from 1997 in *Wiebenson v. Bd. of Trustees*.

SECTION TWO: Change Asset Transfer Date

This section changes the annual deadline for transfers of assets from supplemental employer funds to pension accumulation from the end of the fiscal year to the end of the calendar year. The purpose of this section is to align administrative practices and pertinent statutes.

SECTION THREE: Repeal Vestigial LGERS Investment Statutes

This section repeals superceded LGERS investment statutes that formerly corresponded with their counterparts in the TSERS investment statutes, which were repealed in 1979.

SECTION FOUR: Conform State Law for Funds Recovered from Legal Settlements to Federal Law

This section clarifies a recently amended law pertaining to the rules surrounding funds recovered from legal settlements to correct a conflict with the Federal Exclusive Benefits rule.

SECTION FIVE: Conform Change in Disability Offset for Social Security

This section conforms disability offset date.

SECTION SIX: Effective Date

This act becomes effective July 1, 2015.

*Prepared by the Retirement Systems Division staff
January 14, 2015*





JANET COWELL
TREASURER

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

STEVE TOOLE
RETIREMENT SYSTEMS DIRECTOR

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*Prepared by the Retirement Systems Division staff
January 14, 2015*





Who Are We?

- Retirement Systems is a Division of the N.C. Department of State Treasurer
- The Department operates almost all the major public employee benefit programs in North Carolina, including pensions, the state health plan, and voluntary supplemental retirement savings plans
- State pension plan was created by the General Assembly in 1941
- 10th largest pension plan in the United States
- 28th largest pension plan globally
- Triple A bond rating by all three rating agencies
- Membership of over 940,000 active and retired public employees (Teachers, State & Local Government Employees)
- 1 in 9 working North Carolinians are members of system
- If you have constituent services needs feel free to contact Tony Solari 919-807-4994 or anthony.solari@nctreasurer.com.

Thanks for your continued support of the Retirement System!!! In 2014 you provided:

- Full funding of retirement contributions
- Support for important plan changes like anti-pension spiking cap

Purpose of Retirement Systems

- Recruit and retain qualified employees for a career in public service
- Provide income after retirement
- Provide replacement income for disability
- Provide death benefits for an employee's survivors



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Mission Statement

Everything starts with our mission, which shares our purpose as division and serves as the basis for our decisions and actions

- To secure the retirement of North Carolina public servants...
- To deliver comprehensive personalized solutions and services...
- To provide exceptional customer experience...
- To protect the integrity of the North Carolina Retirement Systems...



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Vision Statement

Our vision serves as our roadmap and guides us by describing what we need to accomplish in order to effectively deliver on our Mission long term

- **People:** Be a great place to work where people are inspired to be the best they can
- **Productivity:** Be a highly effective; lean and fast moving division
- **Portfolio:** Package a portfolio of services that anticipates and satisfies member needs and desires
- **Process:** Develop and maintain efficient processes that are measurable, customer friendly and manage accountability
- **Predict:** Leverage data analytics to predict trends and be an industry voice at the state and national levels on retirement matters and innovation
- **Protect:** Set the highest standards in the development and rigorous enforcement of our pension protection policies and procedures



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2014 Top Level Metrics

- **Retirement Readiness** – 70% of all active NC public servants age 62 or older are on track to replace 80% of their pre-retirement income in retirement. The following sub-goals are being pursued to help us achieve our top-level metric of 70%:
 - 457 Participation: 12.25%
 - 401(k) Participation: 27%
 - 457 Average Contribution: \$130
 - 401(k) Average Contribution: \$160
 - 457 GoalMaker Participation (new/existing): 91.5%/55%
 - 401(k) GoalMaker Participation (new/existing): 89.50%/55%
- **Member Satisfaction** – 4.25 member overall satisfaction score (scale of 1 to 5)
 - Daily survey results from customer experiences in Retirement Processing, Benefit Processing, and Member Services
 - Monthly metric results for turn around time, paid on time percentage, and other key performance measures
- **Employee Engagement** – 3.05 employee overall satisfaction score (scale of 1 to 4)
 - Annual survey results from employee
- **Fiscal Integrity** – success on the following sub-goals:
 - Implementation of Pension Spiking
 - Progress towards 100% overall funding percentage
 - Establishment of a Compliance Team
 - Continued automation efforts



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N.C. Retirement Systems

	2010-2011	2011-2012	2013-2014
DEFINED BENEFIT ("DB" or Pension) PLANS			
Total Assets in N.C. Retirement Systems	\$74.9 billion	\$74.5 billion	\$90.1 billion
Amount Delivered to Retirees	\$4.3 billion	\$4.6 billion	\$5.1 billion
Retirees Receiving Benefits	242,000	254,000	276,162
Average Hold Times for RSD Call Center	51 seconds	63 seconds	9 min 45 sec
New Retirements Processed During the Year	14,642	15,992	15,917
DEFINED CONTRIBUTION ("DC") PLANS			
Total Assets in Supplemental 401(k)/457 Plans	\$6.3 billion	\$6.5 billion	\$8.4 billion
401(k) Plan Members	224,644	227,711	244,534
457 Plan Members	34,149	38,268	49,792



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Major Defined Benefit Programs

- Teachers' & State Employees' Retirement System
 - Active Members: 310,370
 - Retired Members and Survivors: 187,448
- Local Governmental Employees' Retirement System
 - Active Members: 123,455
 - Retired Members and Survivors: 57,405
- Consolidated Judicial Retirement System
 - Active Members: 566
 - Retired Members and Survivors: 584
- Legislative Retirement System & Legislative Fund
 - Active Members: 170
 - Retired Members and Survivors: 311



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Defined Benefit Formula

- Years of Service × Average Final Compensation (48 highest consecutive months salary) × Accrual Factor = Benefit Level
- For the State Plan, the accrual factor is 1.82%
- After 30 years of service, pension will be approximately 54% of Final Average Salary
- For example, the formula for an employee who retires with 30 years of service from the state system with a final average salary of \$40,000 would look like this: 30 years x \$40,000 x .0182 = \$21,840 per year or \$1,820 per month



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Other Defined Benefit Programs

- Firemen's & Rescue Squad Workers' Pension Fund
- National Guard Pension Plan
- Registers of Deeds Supplemental Pension Plan
- Disability Plan(s)
 - North Carolina provides replacement income to employees who become physically or mentally disabled and unable to work
 - Short-term disability benefit is provided initially through the disabled employee's employer.
 - Extended short-term and long-term disability benefits are provided through the Retirement System.
- Death Benefit(s)
 - The Retirement System administers the Death Benefit Plan, which is a life insurance policy for active employees.
 - An active employee's family is eligible to receive between \$25,000 and \$50,000 - depending on salary at the time of an active employee's death.



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Retiree Contributory Death Benefit

- Optional participation – one time opportunity to join at time of retirement
- Funded by retiree contributions
- Contribution rate based on age
- Provides \$10,000 of coverage

The Department of State Treasurer recommends that a voluntary open enrollment period be authorized by the General Assembly within the next two years so that retirees who did not sign up when they retired may have the chance obtain this benefit.



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Defined Contribution Plans

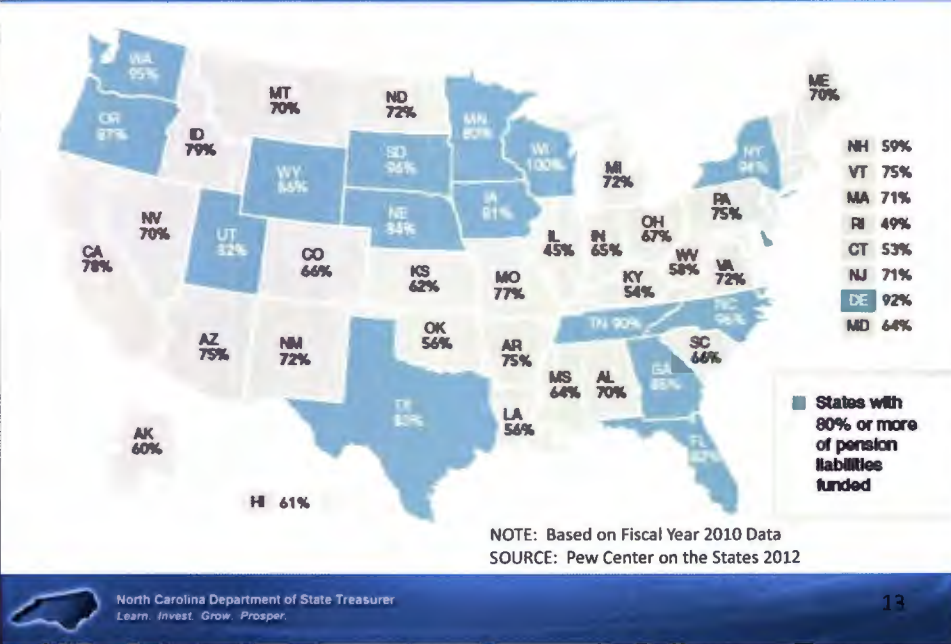
- NC 401(k)
- 457 Deferred Compensation Plan
- NC 403(b) Program
- UNC Optional Retirement Program



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Retirement System Funding



How do we stack up against other states?

- Despite using more some of the most conservative assumptions, we are currently ranked the second best funded system in the nation
 - We assume a 7.25% rate of return on investments, the fourth lowest among state plans.
 - We use an amortization period of 12 years, while the average among state plans is 25.9 years.
 - We use a more conservative actuarial cost method than many of the states that report a higher funded ratio.

ARC/Funded Status for Fiscal Year 2015

95% Funded

5% Unfunded Liability

- 2012 = \$3.7 Billion
- 2013 = \$3.4 Billion



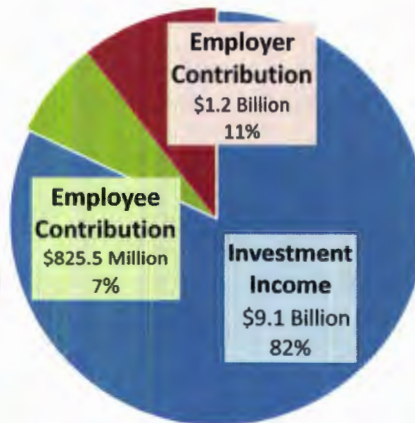
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How the Funding Process Works

Three Sources of Funding (FY14#)

- Employee Contributions
- Investment Income
- Employer Contributions
 - Appropriations by the General Assembly



*Benefit Payments for this time period totaled \$4 billion.



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Role of the General Assembly

- The General Assembly establishes the employer contribution rate annually.
 - Consensus payroll estimates are developed by the Treasurer's office, the state budget office, and the fiscal research division.
 - The annual required contribution is estimated by the system's actuary.
 - The Board of Trustees makes funding recommendations to the General Assembly.
- The General Assembly has only failed to meet the annual funding obligations of the retirement system for one year since the system's inception in 1941.
- Because of this responsible approach, N.C. remains among the top 5 best funded state plans.



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ARC/Funding for Fiscal 2015 (Current Year)

- ARC—Annual Required Contribution
- Employer Contribution for 2015 = 9.15%
- General Fund Estimate of \$905 million



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Projected Funding Needs for Next Five Years

Option 1: Baseline Funding of ARC

Fiscal Year	New Money Requested	Biennial Total
2016	(\$45.5 million)	(\$102.9 million)
2017	(\$57.4 million)	
2018	(\$41.1 million)	(\$62.6 million)
2019	(\$21.5 million)	
2020	(\$3.6 million)	

- For 2016 Budget – projected in January 2015
 - 8.69% of Payroll
 - Estimated General Fund Cost of \$860 million
 - Estimate is \$45 million less than current year



Cost of Living Adjustments (COLAs)

- History of COLAs in NC
- Ad-hoc in NC vs. Statutory
- Historically funded with undistributed gains
- The Treasurer and the Board of Trustees recommend that you grant a 1% COLA for state retirees this year
- Each 1% of Retiree COLA = .39%
(or \$54 million/\$39 million General Fund in Current Budget)

The Treasurer & Board of Trustees of the Retirement System recommend a 1% COLA for retired teachers and state employees.



Impact of Inflation on Benefits

Year of Retirement	Cumulative Inflation	Cumulative Adjustments and COLAs	Purchasing Power Today as % of Original
1992	70%	60%	94%
1997	48%	31%	89%
2002	33%	15%	87%
2007	16%	4%	90%
2012	4%	1%	97%

How to read this: "Every dollar that a 2002 retiree receives this year will buy 87¢ worth what it would have bought in 2002, the first year he or she retired."



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Projected Funding Needs for Next Five Years

Option 2: With 1% COLA in 2016*

Fiscal Year	New Money Requested	Biennial Total
2016	(\$6.9 million)	(\$25.7 million)
2017	(\$18.8 million)	
2018	(\$ 1.4 million)	\$18.1 million
2019	\$19.4 million	
2020	\$38.5 million	

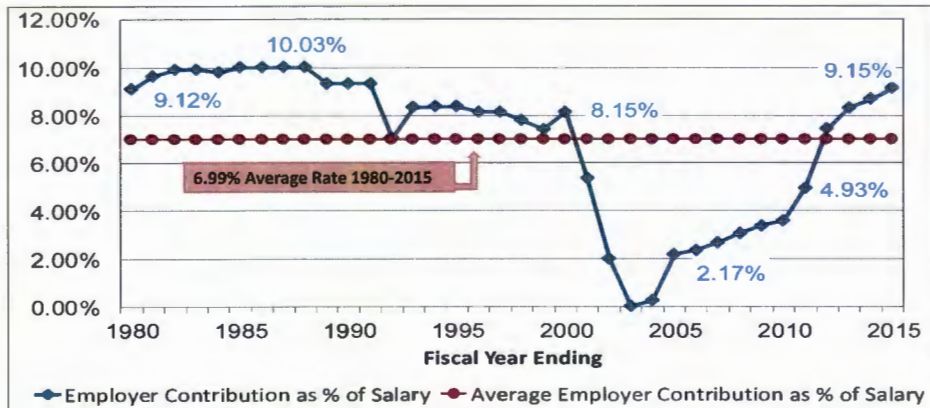
*The total amount to be funded over time for the 2016 COLA is an increase in liability of \$378.9 million.



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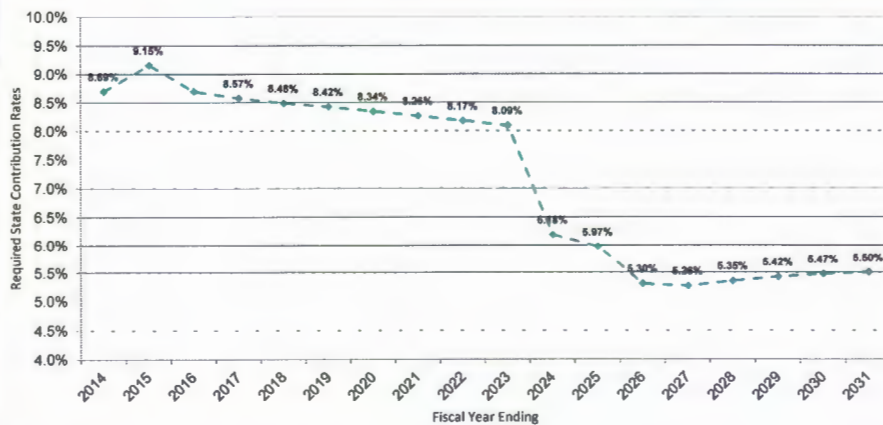
State System Contributions



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State System Projected Contributions



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Pension Fund Investment Returns

Pension Investments Returns as of December 31, 2014

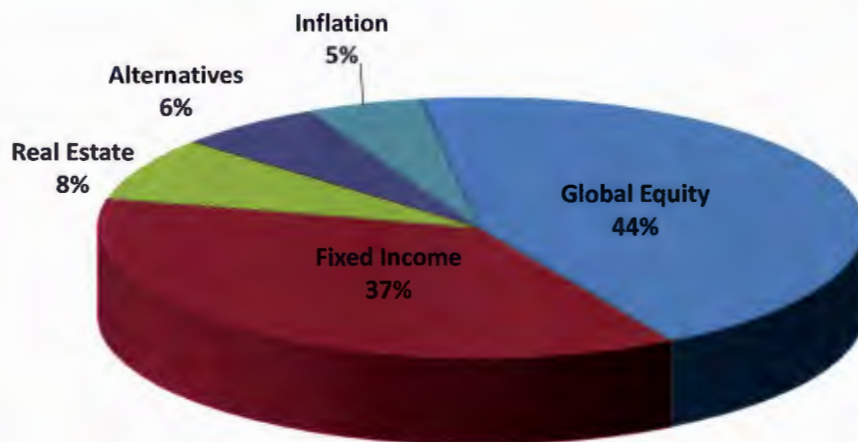
1 Year (2014)	6.19%
3 Years (2012-2014)	10.07%
5 Years (2010-2014)	8.73%
10 Years (2005-2014)	6.14 %



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Asset Allocation in Pension Fund



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Role of the State Treasurer

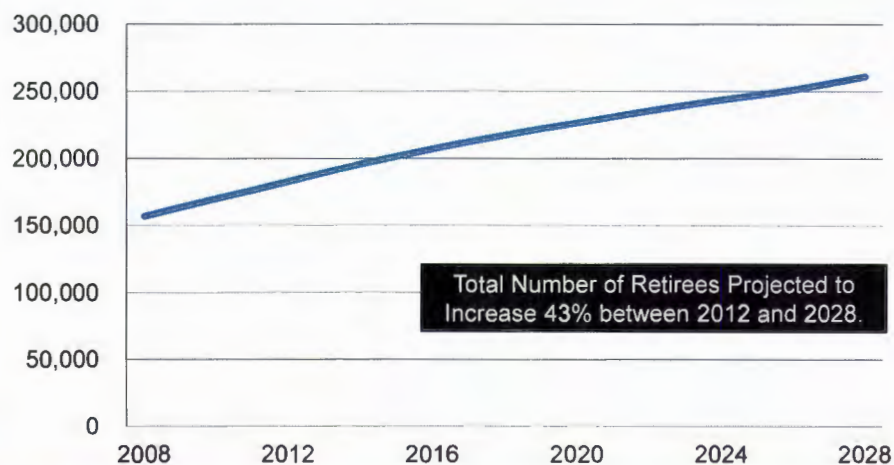
- Treasurer's office operates the system
 - Second lowest administrative cost in the world for a peer retirement system
 - \$23 per active member and annuitant
 - \$64 below peer average of \$87
 - Treasurer is the sole fiduciary for the investments of the system's assets.
- Treasurer's office regularly makes recommendations for adjustments to the plan that:
 - Increase efficiency
 - Reduce cost



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Projected Retirees



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Staffing Levels

RETIREMENT SYSTEM	TOTAL SYSTEM MEMBERSHIP	TOTAL EMPLOYEES	MEMBERS SERVED PER EMPLOYEE
Massachusetts (PERAC)	501,068	466	1,075
Wisconsin (DETF)	430,488	261	1,647
Virginia Retirement System (VRS)	518,625	259	2,002
Tennessee CRS	337,535	85	3,971
North Carolina	941,886	162	5,796

NC peer system employee to member ratio averages 1:1,271

NC employee to member ratio is 1:5,796

(Data as of FY 2014)



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Total Expenses of the Retirement System

- Total expenses included in the Annual Required Contribution (ARC) across all Retirement Systems = \$24.3 million
- Total authorized budget for expenses in all Retirement Systems in fiscal year 2015 = \$18.3 million, which equals 75% of the expense allowance
- Budget requests for recurring authorization to use funds for Retirement Systems operations total \$2.2 million
 - Requests are for retirement receipts that are already being charged to employers as a part of the ARC
 - Requests do not affect current year General Fund availability
 - Nonrecurring requests total \$1.3 million
- Additional budget request to repurpose \$660,000 of an existing recurring Firefighters' & Rescue Squad Worker's Pension Fund General Fund appropriation on a one-time basis



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Policy Issues for Consideration

Anticipated in 2015

- Agency Participation Procedures
- Administrative & Technical Improvements
- Budget Requests to Improve Administration of the System
- Continued Implementation of Changes to Firefighters' & Rescue Squad Workers Pension Fund

Possible Other Major Policy Issues

- Consideration of a State Optional Plan to Provide Retirement Choices
- Setting Minimum Retirement Ages
- Establishing Automatic Enrollment in Supplemental Retirement Plans



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Questions?



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**House Committee on Pensions and Retirement
Tuesday, March 24, 2015 at 10:00am
Room 415 LOB**

MINUTES

The House Committee on Pensions and Retirement met at 10:00am on Tuesday, March 24, 2015 in Room 415 of the Legislative Office Building. Representatives McNeill, Ross, Michaux, L. Bell, Bishop, Blust, B. Brown, Gill, and Holley attended.

Representative Allen McNeill presided and called the meeting to order at 10:03am. He introduced the pages and Sergeant at Arms staff.

The chair then recognized Representative Paul Stam to explain his bill, HB 50, AMEND MANDATORY RETIREMENT AGE/JUDGES & MAGISTRATES.

A motion was made by Representative Gill to place a PCS before the committee for HB50. Motion was accepted by the committee. Representative Stam explained the PCS.

There was no discussion and Representative Michaux moved for a favorable proposed committee substitute, unfavorable to the original bill. The motion passed.

Representative McNeill then recognized Representative Bishop to present his bill, HB 70, CHARLOTTE FIREFIGHTERS RETIREMENT.

A motion was made by Representative Brian Brown to place a PCS before the committee for HB70. The motion was accepted by the committee. Representative Bishop explained the proposed committee substitute.

After a short discussion, Representative Blust moved for a favorable proposed committee substitute, unfavorable to the original bill, with a referral to Appropriations.

There being no further business, Representative McNeill adjourned the meeting at 10:11am.

Respectfully submitted,


Representative Allen McNeill, Chair


Laura Sullivan, Committee Clerk



House Committee on Pensions and Retirement

[illegible]



**House Committee on Pensions and Retirement
Tuesday, March 24, 2015, 10:00 AM
415 Legislative Office Building**

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
HB 50	Amend Mand. Retire. Age/Judges & Magistrates.	Representative McNeill Representative Hurley Representative Bishop Representative Stam
HB 70	Charlotte Firefighters' Retirement.	Representative Bishop Representative Bradford

Presentations

Other Business

Adjournment



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Pensions and Retirement** will meet as follows:

DAY & DATE: Tuesday, March 24, 2015
TIME: 10:00 AM
LOCATION: 415 LOB
COMMENTS: Representative Allen McNeill presiding.

The following bills will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 50	Amend Mand. Retire. Age/Judges & Magistrates.	Representative McNeill Representative Hurley Representative Bishop Representative Stam
HB 70	Charlotte Firefighters' Retirement.	Representative Bishop Representative Bradford

Respectfully,

Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 2:50 PM on Tuesday, September 08, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Laura Spratley (Committee Assistant)



minutes
3-24-15

**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

PENSIONS AND RETIREMENT COMMITTEE REPORT

**Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair**

FAVORABLE COM SUB , UNFAVORABLE ORIGINAL BILL

HB 50 Amend Mand. Retire. Age/Judges & Magistrates.
Draft Number: H50-PCS40163-SH-7
Serial Referral: None
Recommended Referral: None
Long Title Amended: No
Floor Manager: Stam

FAVORABLE COM SUB , UNFAVORABLE ORIGINAL BILL AND RE-REFERRED

HB 70 Charlotte Firefighters Retirement.
Draft Number: H70-PCS30133-SH-8
Serial Referral: **APPROPRIATIONS**
Recommended Referral: None
Long Title Amended: No
Floor Manager: Bishop

TOTAL REPORTED: 2



* C M R 6 8 - V - 1 *



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

D

HOUSE BILL 70
PROPOSED COMMITTEE SUBSTITUTE H70-PCS30133-SH-8

Short Title: Charlotte Firefighters' Retirement.

(Local)

Sponsors:

Referred to:

February 12, 2015

A BILL TO BE ENTITLED
AN ACT TO AMEND THE LAW ESTABLISHING THE CHARLOTTE FIREFIGHTERS'
RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. Section 12 of Chapter 926 of the 1947 Session Laws, as amended by Chapter 506 of the 1987 Session Laws, Chapter 1033 of the 1987 Session Laws, Chapter 248 of the 1989 Session Laws, Chapter 830 of the 1991 Session Laws, S.L. 1999-100, and S.L. 2001-22, reads as rewritten:

"Sec. 12. **Failure to Return From Active Military Duty.**

(a) Generally. Should any Member of this Retirement System who entered the Armed Forces of the United States of America pursuant to the provisions of Section 6 of this act fail to return to employment with the Charlotte Fire Department within the period for which his reemployment rights are guaranteed by law, said Member shall thereupon cease membership and shall be entitled to a deferred benefit or reimbursement of his contributions in the same manner and in all respects as provided for in Section 10 or 11 of this act, whichever is applicable.

Such former Member shall not receive Membership Service Credit for the period of active military duty or any period after discharge or release from active duty from the Armed Forces for which his reemployment rights had been guaranteed by law.

(b) Death or Disability. In the case of a death or disability occurring on or after January 1, 2007, if a Member dies while performing qualified military service (as defined in section 414(u) of the Code), the survivors of the Member are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the System as if the Member had resumed and then terminated employment on account of death.

(c) Benefit Accrual. For benefit accrual purposes, the System treats an individual who, on or after January 1, 2007, dies or becomes disabled (as defined under the terms of the System) while performing qualified military service with respect to the Charlotte Fire Department as if the individual had resumed employment in accordance with the individual's reemployment rights under USERRA, on the day preceding death or disability (as the case may be) and terminated employment on the actual date of death or disability. The System will determine the amount of Member contributions of an individual treated as reemployed under this section for purposes of applying section 414(u)(8)(C) of the Code on the basis of the individual's average actual employee contributions for the lesser of (i) the 12-month period of service with the Sponsor immediately prior to qualified military service or (ii) if service with the Sponsor is less than such 12-month period, the actual length of continuous service with the Sponsor.



* H 7 0 - P C S 3 0 1 3 - S H - 8 *

(d) Differential Wage Payments. For years beginning after December 31, 2008, (i) an individual receiving a differential wage payment, as defined by section 3401(h)(2) of the Code, shall be treated as a Member of the Sponsor making the payment; (ii) the differential wage payment shall be treated as compensation; and (iii) the System shall not be treated as failing to meet the requirements of any provision described in section 414(u)(1)(C) of the Code by reason of any contribution or benefit that is based on the differential wage payment."

SECTION 2. Section 13.1 of Chapter 926 of the 1947 Session Laws, as amended by Chapter 506 of the 1987 Session Laws, Chapter 1033 of the 1987 Session Laws, Chapter 248 of the 1989 Session Laws, Chapter 830 of the 1991 Session Laws, Chapter 640 of the 1993 Session Laws, Chapter 171 of the 1995 Session Laws, S.L. 1999-100, S.L. 2001-22, S.L. 2002-43, and S.L. 2006-117, reads as rewritten:

"Sec. 13.1. **Direct Rollover of Eligible Rollover Distributions.** (a) This Section applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the plan to the contrary that would otherwise limit a distributee's election under this Section, a distributee may elect, at the time and in the manner prescribed by the plan administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) Definitions.

(1) Eligible rollover distribution. An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of 10 years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; and any hardship ~~distribution described in section 401(k)(2)(B)(i)(IV).~~ distribution. A portion of a distribution shall not fail to be an eligible rollover distribution merely because a portion consists of after-tax employee contributions that are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

(2) Eligible retirement plan. An eligible retirement plan is an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. With respect to distributions made after December 31, 2001, an eligible retirement plan shall also mean (i) an annuity contract described in section 403(b) of the Code and (ii) an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former

- 1 spouse who is the alternate payee under a qualified domestic relations order,
2 as defined in section 414(p) of the Code.
- 3 (3) Distributee. A distributee includes an employee or former employee. In
4 addition, the employee's or former employee's surviving spouse and the
5 employee's or former employee's spouse or former spouse who is the
6 alternate payee under a qualified domestic relations order, as defined in
7 section 414(p) of the Code, are distributees with regard to the interest of the
8 spouse or former spouse.
- 9 (4) Direct rollover. A direct rollover is a payment by the plan to the eligible
10 retirement plan specified by the distributee.
- 11 (5) Non-spouse beneficiary rollover right. For distributions after December 31,
12 2009, a non-spouse beneficiary who is a "designated beneficiary" under
13 section 401(a)(9)(E) of the Code and the regulations thereunder, by a direct
14 trustee-to-trustee transfer (direct rollover), may roll over all or any portion of
15 his or her distribution to an Individual Retirement Account (IRA) the
16 beneficiary establishes for purposes of receiving the distribution. In order to
17 be able to roll over the distribution, the distribution otherwise must satisfy
18 the definition of an "eligible rollover distribution" under section 401(a)(31)
19 of the Code. If a non-spouse beneficiary receives a distribution from the
20 System, the distribution is not eligible for a 60-day (non-direct) rollover. If
21 the Participant's named beneficiary is a trust, the System may make a direct
22 rollover to an IRA on behalf of the trust, provided the trust satisfies the
23 requirements to be a designated beneficiary within the meaning of section
24 401(a)(9)(E) of the Code. A non-spouse beneficiary may not roll over an
25 amount that is a required minimum distribution, as determined under
26 applicable Regulations and other Internal Revenue Service guidance. If the
27 Participant dies before his or her required beginning date and the non-spouse
28 beneficiary rolls over to an IRA the maximum amount eligible for rollover,
29 the beneficiary may elect to use either the 5-year rule or the life expectancy
30 rule, pursuant to Regulations Section 1.401(a)(9)-3, A-4(c), in determining
31 the required minimum distributions from the IRA that receives the
32 non-spouse beneficiary's distribution.
- 33 (6) Roth IRA rollover. For distributions made after December 31, 2007, a
34 Participant or beneficiary may elect to roll over directly an "eligible rollover
35 distribution" to a Roth IRA described in section 408A(b) of the Code.

36 (c) In the event of a mandatory distribution greater than one thousand dollars (\$1,000)
37 that is made without the Member's consent and is made to the Member before the Member
38 attains the later of age 62 or Normal Retirement Age, if the Member does not elect to have such
39 distribution paid directly to an eligible retirement plan specified by the Member in a direct
40 rollover or to receive the distribution from the Plan, the Administrator shall pay the distribution
41 in a direct rollover to an individual retirement plan designated by the Administrator."

42 **SECTION 3.** Section 1 of Chapter 830 of the 1991 Session Laws, as amended by
43 Chapter 640 of the 1993 Session Laws, Chapter 171 of the 1995 Session Laws, S.L. 1999-100,
44 and S.L. 2001-22, is amended by adding a new section to read:

45 "Sec. 23.1 Retiree Health Insurance Premiums. Effective January 1, 2007, a Member
46 who is an "eligible retired public safety officer" as defined in section 402(l)(4)(B) of the Code
47 who retired pursuant to Section 15, Section 19, or Section 20 of this act may elect to receive a
48 distribution from the System in an amount not to exceed the lesser of the following:

- 49 (1) The amount paid by such Member for qualified health insurance premiums
50 of the Member, his spouse, or dependents (as defined in section 152 of the
51 Code) for such taxable year; or

1 (2) Three thousand dollars (\$3,000) for the taxable year.
2 Any distribution pursuant to this section shall reduce the benefit payable to the Member for
3 the taxable year from the System. Such distribution shall be paid directly to the provider of the
4 accident or health insurance. All distributions under this section shall be made in compliance
5 with section 402(l) of the Code and any guidance issued thereunder. After December 31, 2012,
6 no Member may elect to receive a distribution pursuant to this section."

7 **SECTION 4.** This act applies only to the City of Charlotte.

8 **SECTION 5.** This act becomes effective July 1, 2015.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

D

HOUSE BILL 50
PROPOSED COMMITTEE SUBSTITUTE H50-PCS40163-SH-7

Short Title: Amend Mand. Retire. Age/Judges & Magistrates.

(Public)

Sponsors:

Referred to:

February 5, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE MANDATORY RETIREMENT AGE FOR MAGISTRATES,
3 JUDGES, AND JUSTICES OF THE GENERAL COURT OF JUSTICE TO REQUIRE
4 RETIREMENT ON DECEMBER 31 OF THE YEAR THE MAGISTRATE, JUDGE, OR
5 JUSTICE ATTAINS THE AGE OF 72.

6 The General Assembly of North Carolina enacts:

7 SECTION 1. G.S. 7A-4.20 reads as rewritten:

8 "§ 7A-4.20. Age limit for service as justice or judge: exception.

9 No justice or judge of the General Court of Justice may continue in office beyond the last
10 day of ~~the month~~ December of the year in which ~~he~~ the justice or judge attains his or her
11 seventy-second birthday, but justices and judges so retired may be recalled for periods of
12 temporary service as provided in Subchapters II and III of this chapter."

13 SECTION 2. G.S. 7A-170(b) reads as rewritten:

14 "(b) No magistrate may continue in office beyond the last day of ~~the month~~ December of
15 the year in which the magistrate reaches the mandatory retirement age for justices and judges of
16 the General Court of Justice specified in G.S. 7A-4.20."

17 SECTION 3. G.S. 135-57(b) reads as rewritten:

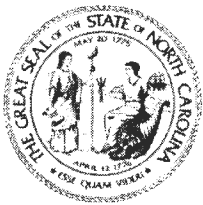
18 "(b) Any member who is a justice or judge of the General Court of Justice shall be
19 automatically retired as of the first day of ~~the calendar month coinciding with or next following~~
20 ~~the later of January 1, 1974, or his~~ January following the member's attainment of his or her
21 seventy-second birthday; provided, however, that no judge who is a member on January 1,
22 1974, shall be forced to retire under the provisions of this subsection at an earlier date than the
23 last day that he is permitted to remain in office under the provisions of G.S. 7A-4.20.birthday."

24 SECTION 4. This act becomes effective January 1, 2016, and applies to
25 magistrates, judges, and justices holding office on or after that date.



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HOUSE BILL 70: Charlotte Firefighters' Retirement

2015-2016 General Assembly

Committee:	House Pensions and Retirement, if favorable, Appropriations	Date:	March 23, 2015
Introduced by:	Reps. Bishop, Bradford	Prepared by:	Theresa Matula Committee Staff
Analysis of:	PCS to First Edition H70-CSSH-8		

SUMMARY: *House Bill 70 makes various changes to the Charlotte Firefighters' Retirement System pertaining to credit for military service, rollovers, and retiree health benefits. (The PCS makes a technical change to correct an inaccurate date on page 1, line 26.)*

[As introduced, this bill was identical to S137, as introduced by Sens. Tarte, Ford, which is currently in Senate Pensions & Retirement and Aging.]

BACKGROUND: According to the City of Charlotte, the changes in House Bill 70 to the Charlotte Firefighters' Retirement System (CFRS) are in response to following Federal Acts: Pension Protection Act of 2006 (PPA), HEROES Earnings and Assistance Relief Tax Act of 2008 (HEART), and the Worker, Retiree, and Employer Recovery Act of 2008 (WRERA). The City reports that the Charlotte Firefighters' Retirement System has been operating in accordance with these federal laws but had not updated the CFRS laws until now.

BILL ANALYSIS:

Section 1 amends the Charlotte Firefighters' Retirement System (CFRS) as it pertains to credit for military service and failure to return from active military duty due to death or disability on or after January 1, 2007; benefit accrual; and differential wage payments. If a member of the CFRS dies while performing qualified military service, the Member's survivors are entitled to any additional benefits provided under the System, as if the Member had resumed and then terminated employment. For benefit accrual purposes, a member who dies or becomes disabled while performing qualified military service will be treated as if the Member resumed employment in accordance with USERRA¹ reemployment rights on the day preceding death or disability and terminated employment on the actual date of death or disability. Member contributions will be treated in accordance with federal law on the basis of the individual's average actual employee contributions for the lesser of: (i) the 12-month period of service with the Sponsor immediately prior to qualified military service, or (ii) if service with the Sponsor is less than such 12-month period, the actual length of continuous service with the Sponsor. For years beginning after December 31, 2008, (i) an individual receiving a differential wage payment must be treated as a Member of the Sponsor making the payment; (ii) the differential wage payment must be treated as compensation; and (iii) the System must not be treated as failing to meet the requirements of any provision described in federal law by reason of any contribution or benefit based on the differential wage payment.

¹ Uniform Services Employment and Reemployment Rights Act





House Bill 70

Page 2

Section 2 amends the CFRS law related to rollovers. A new subdivision is added providing for distributions after December 31, 2009, for a non-spouse beneficiary who is a designated beneficiary. A new subdivision is also added providing that after December 31, 2007, a participant or beneficiary may elect to rollover directly an "eligible rollover distribution" to a Roth IRA.

Section 3 adds a section on retiree health insurance premiums providing that effective January 1, 2007, a member who is an "eligible retired public safety officer" may elect to receive a distribution from the system in an amount not to exceed the lesser of the following:

1. The amount paid by such Member for qualified health insurance premiums of the Member, his spouse, or dependents for the taxable year; or
2. \$3,000 for the taxable year.

Any distribution pursuant to this section will reduce the benefit payable from the System to the Member for the taxable year. The distributions are paid directly to the provider of the accident or health insurance and must be in compliance with federal law. After December 31, 2012, no Member may elect to receive a distribution pursuant to this section.

Section 4 specifies that this act applies only to the City of Charlotte.

EFFECTIVE DATE: This bill would become effective July 1, 2015.





HOUSE BILL 50: Amend Mand. Retire. Age/Judges & Magistrates

2015-2016 General Assembly

Committee:	House Pensions and Retirement	Date:	March 23, 2015
Introduced by:	Reps. McNeill, Hurley, Bishop, Stam	Prepared by:	Theresa Matula
Analysis of:	PCS to First Edition H50-CSSH-7		Committee Staff

SUMMARY: *House Bill 50 changes the mandatory retirement age for magistrates and justices or judges of the General Court of Justice from the end of the month in which the individual reaches age 72, to December 31st of the year the justice, judge, or magistrate attains the age of 72. (The PCS makes a technical change to add "justice" on line 10.)*

BILL ANALYSIS:

Section 1 amends G.S. 7A-4.20 to extend the mandatory retirement age for a justice or judge of the General Court of Justice from the last day of the month when he or she turns 72, to the last day of December of the year in which he or she turns 72.

Section 2 amends G.S. 7A-170(b) to make a similar change for magistrates by extending it to the last day of December of the year in which the magistrate reaches the mandatory retirement age for justice and judges (age 72).

Section 3 makes a conforming change to G.S. 135-57 which provides for a service retirement in the Consolidated Judicial Retirement System.

EFFECTIVE DATE: The bill becomes effective January 1, 2016 and applies to magistrates, judges, and justices holding office on or after that date.

O. Walker Reagan
Director



Research Division
(919) 733-2578



mail correspondence to and from me, in connection with the transaction of public business, is subject to the North Carolina Public Records Law and may be disclosed to third parties.

House Committee on Pensions and Retirement
Tuesday, March 31, 2015 at 10:00 AM
Room 415 of the Legislative Office Building

MINUTES

The House Committee on Pensions and Retirement met at 10:00 AM on March 31, 2015 in Room 415 of the Legislative Office Building. Representatives McNeill, Michaux, L Bell, Blust, B Brown, Gill, Hurley and Waddell attended.

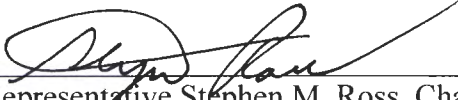
Representative Stephen M. Ross, Chair, presided and called the meeting to order at 10:00 AM. He introduced the pages and the Sergeant at Arms staff.

The chair recognized Representative McNeill to explain House Bill **264 Community Colleges 403(b) Plan.-AB**. After a brief discussion, Representative Brown motioned for a favorable report with a serial referral to the Appropriations Committee and was accepted by the committee.

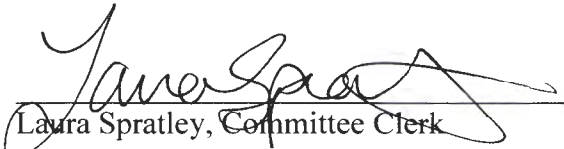
The chair recognized Representative Gill to represent. **House Bill 274 Retirement Technical Corrections Act of 2015**. Representative Brown motioned to present a Proposed Committee Substitute which was seconded by Representative Larry Bell. The Proposed Committee Substitute was presented by Rep. Gill followed by a brief discussion. Representative Michaux moved for a favorable report for the Proposed Committee Substitute and an unfavorable report for the original bill.

There being no further business, Representative Ross adjourned the meeting at 10:17AM.

Respectfully submitted,



Representative Stephen M. Ross, Chair
Presiding



Laura Spratley, Committee Clerk



House Committee on Pensions and Retirement

[illegible]



**House Committee on Pensions and Retirement
Tuesday, March 31, 2015, 10:00 AM
415 Legislative Office Building**

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
HB 264	Community Colleges 403(b) Plan.-AB	Representative McNeill
HB 274	Retirement Technical Corrections Act of 2015.-AB	Representative Gill Representative L. Bell Representative Elmore Representative Waddell

Adjournment



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

PENSIONS AND RETIREMENT COMMITTEE REPORT

**Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair**

FAVORABLE AND RE-REFERRED

HB 264	Community Colleges 403(b) Plan.-AB
	Draft Number: None
	Serial Referral: APPROPRIATIONS
	Recommended Referral: None
	Long Title Amended: No
	Floor Manager: Ross

FAVORABLE COM SUB , UNFAVORABLE ORIGINAL BILL

HB 274	Retirement Technical Corrections Act of 2015.-AB
	Draft Number: H274-PCS40232-SH-10
	Serial Referral: None
	Recommended Referral: None
	Long Title Amended: No
	Floor Manager: Ross

TOTAL REPORTED: 2



* C M R 9 5 - V - 1 *





HOUSE BILL 264: Community Colleges 403(b) Plan.-AB

2015-2016 General Assembly

Committee:	House Pensions and Retirement, if favorable, Appropriations	Date:	March 30, 2015
Introduced by:	Rep. McNeill	Prepared by:	Karen Cochrane-Brown
Analysis of:	First Edition		Committee Counsel

SUMMARY: *House Bill 264 amends the law governing community colleges to allow local boards of trustees to offer their employees participation in the North Carolina Public School Teachers' and Professional Educators' Investment Plan as operated by the Department of State Treasurer.*

CURRENT LAW:

Under current law, the board of trustees of a community college may authorize the purchase of annuity or retirement income contracts for the benefit of faculty members, administrative officers, or any other employees of the community college. Funds for this purchase are derived from a reduction in the officer or employee's salary.

In lieu of the annuity or related contract, interests in a custodial account pursuant to Section 401(f), Section 403(b)(7) and related sections of the Internal Revenue Code may be purchased for the benefit of qualified employees with the funds derived from the reduction in salaries of these employees.

BILL ANALYSIS:

Section 1 of House Bill 264 clarifies that local boards of trustees can continue to purchase interests in custodial accounts for the benefit of their employees pursuant to sections of the Internal Revenue Code using funds derived from salary reductions.

In addition to the authority described in Section 1, Section 2 of the bill adds a new section to the law authorizing local boards of trustees to offer participation in the North Carolina Public School Teachers' and Professional Educators' Investment Plan as operated by the Department of State Treasurer.

The following criteria apply to the Department of State Treasurer's 403(b) offerings to community college employees under this section:

- Annuity contracts, trust accounts, and/or custodial accounts must be administered by a qualified third-party administrator to provide custodial, record-keeping and administrative services
- Governance and oversight of the Plan will be performed by the Department of State Treasurer and the Board of Trustees of the North Carolina Supplemental Retirement Plans.
- Investment options must be solely determined by the Department of State Treasurer and the Board of the Supplemental Retirement Plans consistent with section 403(b) of the Internal Revenue Code.

O. Walker Reagan
Director



Research Division
(919) 733-2578

House Bill 264

Page 2

- Investment staff of the Department of State Treasurer may make recommendations as to appropriate investment options, but the State Treasurer and the Board of Trustees have sole responsibility for selection of the service provider.
- All contributions made under this section must be remitted directly to the administrator and held in a custodial account on behalf of the participating employee. Any investment gains or losses must be credited to those accounts.
- Any local board of trustees may elect to make contributions to the employee's account on behalf of the employee.
- The design and administration of annuity contracts, trust accounts, and custodial accounts under this section must comply with applicable provisions of the Internal Revenue Code.

EFFECTIVE DATE: This act becomes effective October 1, 2015.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Fiscal Note

BILL NUMBER: House Bill 264 (First Edition)

SHORT TITLE: Community Colleges 403(b) Plan.-AB

SPONSOR(S): Representative McNeill

FISCAL IMPACT (\$ in millions)					
	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> No Estimate Available		
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
State Impact					
General Fund Revenues:					
General Fund Expenditures:					
Special Fund Revenues:					
Special Fund Expenditures:					
State Positions:					
NET STATE IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Local Impact					
Revenues:					
Expenditures:					
NET LOCAL IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: North Carolina Community College System, Department of State Treasurer					
EFFECTIVE DATE: October 1, 2015					
TECHNICAL CONSIDERATIONS: None					

BILL SUMMARY:

Amends G.S. 115D-25 to provide that, in lieu of annuity or related contracts, interests in specified custodial accounts can be purchased by local boards of trustees for the benefit of qualified employees with the funds derived pursuant to the reduction in salaries of such employees. Makes conforming changes to the section catchline.

Enacts new G.S. 115D-25.4, Department of State Treasurer-sponsored 403(b) option, allowing local boards of trustees to offer the "North Carolina Public School Teachers' and Professional Educators' Investment Plan" (Plan). Sets out seven criteria for the offering of the Plan, including requiring that annuity contracts, trust accounts, and/or custodial accounts are administered by a qualified third-party administrator to provide custodial, record-keeping, and administrative

services. Further provides nine requirements of the third-party, including maintaining a written plan document, monitoring maximum contributions, and keeping an updated schedule of vendor fees and commissions as to the Department of State Treasurer's statewide plan. Provides that oversight of the Plan will be performed by the Department of State Treasurer and the Board of Trustees for the NC Supplemental Retirement Plans, also provides that they will solely determine the investment options for the Plan. Sets out additional requirements concerning investment recommendations, payment and disbursement procedures, contributions by the local board of trustees to an employee's account, and design and administration of annuity contracts, trust accounts, and custodial accounts.

ASSUMPTIONS AND METHODOLOGY:

Community colleges currently have the flexibility to offer a 403(b) plan to their employees through a private vendor. This bill would allow an additional 403(b) plan option through the Department of State Treasurer and would pose no additional costs to the North Carolina Community College System office or individual colleges.

The Department of State Treasurer anticipates that they will be able to accommodate any additional workload with existing staff and facilities that currently serve the Supplemental Retirement Plans; therefore, there will be no additional cost to the agency.

SOURCES OF DATA: North Carolina Community College System

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Brett Altman and Lisa Hollowell

APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division

DATE: March 23, 2015



Signed Copy Located in the NCGA Principal Clerk's Offices

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE BILL 264

Short Title: Community Colleges 403(b) Plan.-AB (Public)

Sponsors: Representative McNeill (Primary Sponsor).

For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Pensions and Retirement, if favorable, Appropriations.

March 18, 2015

A BILL TO BE ENTITLED
AN ACT TO ALLOW COMMUNITY COLLEGES TO PARTICIPATE IN THE 403(B)
SUPPLEMENTAL RETIREMENT PLAN.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 115D-25 reads as rewritten:

**"§ 115D-25. Purchase of annuity or retirement income contracts for ~~employees.~~employees
by local boards of trustees.**

Notwithstanding any provision of law relating to salaries or salary schedules for the pay of faculty members, administrative officers, or any other employees of community colleges, the board of trustees of any of the above institutions may authorize the finance officer or agent of same to enter into annual contracts with any of the above officers, agents and employees which provide for reductions in salaries below the total established compensation or salary schedule for a term of one year. The financial officer or agent shall use the funds derived from the reduction in the salary of the officer, agent or employee to purchase a nonforfeitable annuity or retirement income contract for the benefit of said officer, agent or employee. An officer, agent or employee who has agreed to a salary reduction for this purpose shall not have the right to receive the amount of the salary reduction in cash or in any other way except the annuity or retirement income contract. Funds used for the purchase of an annuity or retirement income contract shall not be in lieu of any amount earned by the officer, agent or employee before his election for a salary reduction has become effective. The agreement for salary reductions referred to in this section shall be effected under any necessary regulations and procedures adopted by the State Board of Community Colleges and on forms prepared by the State Board of Community Colleges. Notwithstanding any other provisions of this section or law, the amount by which the salary of an officer, agent or employee is reduced pursuant to this section shall not be excluded, but shall be included, in computing and making payroll deductions for social security and retirement system purposes, and in computing and providing matching funds for retirement system purposes.

In lieu of the annuity and related contracts provided for under this section, interests in custodial accounts pursuant to Section 401(f), Section 403(b)(7), and related sections of the Internal Revenue Code of 1986 as amended may be purchased by local boards of trustees for the benefit of qualified employees under this section with the funds derived from the reduction in the salaries of such employees."

SECTION 2. Article 2 of Chapter 115D of the General Statutes is amended by adding a new section to read:



"§ 115D-25.4. Department of State Treasurer-sponsored 403(b) option.

(a) In addition to the opportunities for local boards of trustees to offer section 403(b) of the Internal Revenue Code of 1986 retirement annuities and/or mutual funds to their employees under G.S. 115D-25, local boards of trustees may also offer the "North Carolina Public School Teachers' and Professional Educators' Investment Plan" as operated by the Department of State Treasurer.

(b) The criteria in this subsection apply to the Department of State Treasurer's 403(b) offerings to employees of local boards of trustees under this section:

(1) Annuity contracts, trust accounts, and/or custodial accounts shall be administered by a qualified third-party administrator that shall, under written agreement with the Department of State Treasurer, provide custodial, record-keeping, and administrative services. The third-party administrator may also be the selected vendor for the North Carolina Public School Teachers' and Professional Educators' Investment Plan.

For employers choosing to participate in the North Carolina Public School Teachers' and Professional Educators' Investment Plan, the third-party administrator shall, at a minimum, provide the following:

- a. Maintain a written plan document.
- b. Review hardship withdrawal requests, loan requests, and other disbursements permitted under section 403(b) of the Internal Revenue Code of 1986.
- c. Maintain specimen salary reduction agreements for the employer and employees of that employer to initiate payroll deferrals.
- d. Monitor maximum contributions.
- e. Coordinate responses to the Internal Revenue Service in any case of an IRS audit.
- f. Generate educational communication materials to employees concerning the enrollment process, program eligibility, and investment options.
- g. Maintain internal reports to ensure compliance with section 403(b) of the Internal Revenue Code and Title 26 of the Code of Federal Regulations.
- h. Provide compliance monitoring/oversight for all 403(b) plans established under G.S. 115D-25 within each participating local board of trustees plan by creating and establishing the necessary connections and processes with existing and future vendors.
- i. Keep an updated schedule of vendor fees and commissions as to the Department's statewide plan.

(2) Governance and oversight of the North Carolina Public School Teachers' and Professional Educators' Investment Plan will be performed by the Department of State Treasurer and the Board of Trustees for the North Carolina Supplemental Retirement Plans established pursuant to G.S. 135-96. Because of the administrative and record-keeping duties enumerated in subdivision (1) of this subsection, any existing vendor of a 403(b) with a participating employer must either agree to share data with the State's 403(b) vendor under this provision (so as to permit oversight over contribution limits, loans, and hardship withdrawals) or be directed by the participating employer to cease accepting new contributions, loans, and hardship withdrawals.

(3) Investment options shall be solely determined by the Department of State Treasurer and Board of Trustees for the North Carolina Supplemental

1 Retirement Plans consistent with section 403(b) of the Internal Revenue
2 Code of 1986, as amended.

3 (4) Investment staff of the Department of State Treasurer may make
4 recommendations to the State Treasurer and Board of Trustees for the North
5 Carolina Supplemental Retirement Plans as to appropriate investment
6 options. The State Treasurer and Board of Trustees shall have sole
7 responsibility for the selection of the service provider for the North Carolina
8 Public School Teachers' and Professional Educators' Investment Plan.

9 (5) All contributions made in accordance with the provisions of section 403(b)
10 of the Internal Revenue Code of 1986, as amended, and this section shall be
11 remitted directly to the administrator and held by the administrator in a
12 custodial account on behalf of each participating employee. Any investment
13 gains or losses shall be credited to those accounts. The forms of payment and
14 disbursement procedures shall be consistent with those generally offered by
15 similar annuity contracts, trust accounts, and custodial accounts and
16 applicable federal and State statutes governing those contracts and accounts.

17 (6) Any local board of trustees may elect to make contributions to the
18 employee's account on behalf of the employee. The employer shall take
19 whatever action is necessary to implement this section.

20 (7) The design and administration of annuity contracts, trust accounts, and
21 custodial accounts under this provision shall comply with all applicable
22 provisions of the Internal Revenue Code of 1986, as amended."

23 **SECTION 3.** This act becomes effective October 1, 2015.





HOUSE BILL 274: Retirement Technical Corrections Act of 2015.- AB

2015-2016 General Assembly

Committee: House Pensions and Retirement
Introduced by: Reps. Gill, L. Bell, Elmore, Waddell
Analysis of: PCS to First Edition
H274-CSSH-10

Date: March 26, 2015
Prepared by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 274 makes minor changes pertaining to the following: Teachers and State Employees Retirement System (TSERS), Local Governmental Employees Retirement System (LGERS), Disability Income Plan (DIP), Qualified Excess Benefit Arrangement (QEBA) plans, and funds from a settlement or other final order or judgment of the court received by the Escheat fund and benefit plans administered by the Department of State Treasurer.*

The PCS adds a new Section 6 pertaining to a TSERS member who has served in the uniformed services and returns to work.

BILL ANALYSIS: **Section 1** of HB 274 makes a minor clarification to the definition of an employee in G.S. 135-1 for purposes of the Teachers' and State Employees' Retirement System (TSERS). The bill provides that employees who are employed in permanent job positions on a recurring basis must work *at least* 30 hours per week for nine or more months per calendar year *in order to be covered* by the provisions of the subdivision.

Section 2 of the bill amends G.S. 135-106(b) which pertains to long-term disability benefits under the Disability Income Plan. The amendment clarifies that when a beneficiary's benefit is reduced during the first 36 months of the long-term disability period by an amount equal to a primary Social Security retirement benefit, this is *effective as of the first of the month following the month of initial entitlement*.

Section 3 of the bill changes "fiscal year" to "calendar year" in G. S. 135-151(e) for TSERS, and G.S. 128-38.10(f) for the Local Governmental Employee's Retirement System (LGERS), as it relates to treatment of unused assets of the Qualified Excess Benefit Arrangement (QEBA) plan.

Section 4 repeals G.S. 128-29.1 which provides the LGERS Board of Trustees authority to invest in certain common and preferred stocks.

Section 5 amends G.S. 114-2.4A(c) which was enacted by S.L. 2014-100, Section 6.6, and provides for the disposition of funds received by the State or a State agency from a settlement or other final order or judgment of the court. The change adds language to provide that *Subsections (b) and (e) of G.S. 114-2.4A, which restrict the transfer or expenditure of funds and overrealized receipts, do not apply to funds received by the Escheat Fund and benefits plans administered by the Department of State Treasurer.*

Section 6 of the PCS amends G.S. 135-4(g) as it relates to creditable service in the TSERS for teachers and other State employees who served in the uniformed services as defined in the Uniformed Services Employment and Reemployment Rights Act (USERRA). The amendment changes, "honorably discharged" to "who were not dishonorably discharged." Currently the Code defines a veteran as a person who served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable. It also adds language specifying that *when a member who has served in the uniformed services returns to work in compliance with the conditions of*



House Bill 274

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this subsection, that member's employer shall remit to the System all employer and employee contributions for the full period of that member's military service.

EFFECTIVE DATE: House Bill 274 would become effective July 1, 2015.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note Retirement Benefits

BILL NUMBER: House Bill 274 (First Edition)

SHORT TITLE: Retirement Technical Corrections Act of 2015.-AB

SPONSOR(S): Representatives Gill, L. Bell, Elmore, and Waddell

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts for TSERS and DIP; local government funds for LGERS

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS), Local Governmental Employees' Retirement System (LGERS), and the Disability Income Plan (DIP).

BILL SUMMARY:

Section 1: Clarifies the definition of membership in TSERS with regard to hours worked. These revisions observe the opinion of the NC Supreme Court from 1997 in Wiebenson v. Bd. of Trustees.

Section 2: Conforms one reference to the effective date of the offset for Social Security Disability benefits to other references to the offset within the DIP statutes.

Section 3: Changes the asset transfer period for the Qualified Excess Benefit Arrangement in TSERS and LGERS from a fiscal year to a calendar year, to align with how the benefits are paid.

Section 4: Repeals superceded LGERS investment statutes.

Section 5: Clarifies a recently amended law pertaining to the rules surrounding funds recovered from legal settlements to correct a conflict with the Federal Exclusive Benefits rule.

EFFECTIVE DATE: July 1, 2015

ESTIMATED IMPACT ON STATE: Both Buck Consultants, the System's Actuary, and Hartman & Associates, the actuary for the General Assembly, estimate that the bill will have no material impact on the contribution rates or liabilities of any of the systems affected.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2013 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2013 unless otherwise noted, M = millions)			
	<u>TSERS</u>	<u>LGERS</u>	<u>DIP</u>
Active Members			
Count	310,370	123,455	325,642
General Fund Compensation	\$9,914M		\$10,813M
Valuation Compensation (Total)	\$13,608M	\$5,556M	\$15,198M
Average Age	45	44	45
Average Service	10.6	10.3	Not avail.
Inactive Members			
Count	125,513	50,998	0
Retired Members			
Count	187,448	57,405	7,012
Annual Benefits	\$3,871M	\$1,039M	\$75M
Average Age	70	68	Not avail.
New Retirees During 2014	11,500	4,400	992

Financial Statistics (as of 12/31/2013 unless otherwise noted, M = millions)			
	<u>TSERS</u>	<u>LGERS</u>	<u>DIP</u>
Accrued Liability (AL)	\$65,806M	Not meaningful	Not meaningful
Actuarial Value of Assets (AVA)	\$62,364M	\$21,498M	\$442M
Market Value of Assets (MVA)	\$62,789M	\$21,784M	\$421M
Unfunded Accrued Liability (AL - AVA)	\$3,442M	Not meaningful	Not meaningful
Funded Status (AVA / AL)	95%	Not meaningful	Not meaningful
Annual Required Contribution (ARC) for FY 2015-16 (as % of pay)	8.69%	6.52% (non-LEO)	0.41%
Assumed Rate of Investment Return	7.25%	7.25%	5.75%
Salary Increase Assumption (includes 3.50% inflation and productivity)	4.25% - 9.10%	4.25% - 8.55%	4.25% - 9.10%
Cost Method	Entry Age Normal	Frozen Entry Age	Aggregate
Amortization	12 year, closed, flat \$	Not applicable	Not applicable
Demographic assumptions based on 2005-2009 experience, RP-2000 mortality with age adjustments, and projection of future mortality improvement with scale AA			

Benefit Provisions			
	TSERS	LGERS	DIP
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay	65% of salary for long-term
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5	Any/5 with permanent disability
Employee contribution (as % of pay)	6%	6%	None

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Retirement Technical Corrections Act of 2015 (House Bill 274)", March 24, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 274: An Act to Enact the Retirement Technical Corrections Act of 2015", March 23, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide

APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division



DATE: March 30, 2015

Signed Copy Located in the NCGA Principal Clerk's Offices



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE BILL 274
PROPOSED COMMITTEE SUBSTITUTE H274-PCS40232-SH-10

Short Title: Retirement Technical Corrections Act of 2015.-AB

(Public)

Sponsors:

Referred to:

March 19, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO ENACT THE RETIREMENT TECHNICAL CORRECTIONS ACT OF 2015.
3 The General Assembly of North Carolina enacts:

4 **SECTION 1.** G.S. 135-1(10) reads as rewritten:

5 "(10) "Employee" shall mean all full-time employees, agents or officers of the
6 State of North Carolina or any of its departments, bureaus and institutions
7 other than educational, whether such employees are elected, appointed or
8 employed: Provided that the term "employee" shall not include any person
9 who is a member of the Consolidated Judicial Retirement System, any
10 member of the General Assembly or any part-time or temporary employee.
11 Notwithstanding any other provision of law, "employee" shall include all
12 employees of the General Assembly except participants in the Legislative
13 Intern Program, pages, and beneficiaries in receipt of a monthly retirement
14 allowance under this Chapter who are reemployed on a temporary basis.
15 "Employee" also includes any participant whose employment is interrupted
16 by reason of service in the Uniformed Services, as that term is defined in
17 section 4303(16) of the Uniformed Services Employment and
18 Reemployment Rights Act, Public Law 103-353, if that participant was an
19 employee at the time of the interruption; if the participant does not return
20 immediately after that service to employment with a covered employer in
21 this System, then the participant shall be deemed "in service" until the date
22 on which the participant was first eligible to be separated or released from
23 his or her involuntary military service. In all cases of doubt, the Board of
24 Trustees shall determine whether any person is an employee as defined in
25 this Chapter. "Employee" shall also mean every full-time civilian employee
26 of the North Carolina National Guard who is employed pursuant to section
27 709 of Title 32 of the United States Code and paid from federal appropriated
28 funds, but held by the federal authorities not to be a federal employee:
29 Provided, however, that the authority or agency paying the salaries of such
30 employees shall deduct or cause to be deducted from each employee's salary
31 the employee's contribution in accordance with applicable provisions of
32 G.S. 135-8 and remit the same, either directly or indirectly, to the Retirement
33 System; coverage of employees described in this sentence shall commence
34 upon the first day of the calendar year or fiscal year, whichever is earlier,
35 next following the date of execution of an agreement between the Secretary
36 of Defense of the United States and the Adjutant General of the State acting



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for the Governor in behalf of the State, but no credit shall be allowed pursuant to this sentence for any service previously rendered in the above-described capacity as a civilian employee of the North Carolina National Guard: Provided, further, that the Adjutant General, in the Adjutant General's discretion, may terminate the Retirement System coverage of the above-described North Carolina National Guard employees if a federal retirement system is established for such employees and the Adjutant General elects to secure coverage of such employees under such federal retirement system. Any full-time civilian employee of the North Carolina National Guard described above who is now or hereafter may become a member of the Retirement System may secure Retirement System credit for such service as a North Carolina National Guard civilian employee for the period preceding the time when such employees became eligible for Retirement System coverage by paying to the Retirement System an amount equal to that which would have constituted employee contributions if the employee had been a member during the years of ineligibility, plus interest. Employees of State agencies, departments, institutions, boards, and commissions who are employed in permanent job positions on a recurring basis ~~and who must work at least 30 or more hours per week for nine or more months per calendar year~~ are in order to be covered by the provisions of this subdivision. On and after August 1, 2001, a person who is a nonimmigrant alien and who otherwise meets the requirements of this subdivision shall not be excluded from the definition of "employee" solely because the person holds a temporary or time-limited visa."

SECTION 2. G.S. 135-106(b) reads as rewritten:

"(b) After the commencement of benefits under this section, the benefits payable under the terms of this section during the first 36 months of the long-term disability period shall be equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period as may be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced by any primary Social Security disability benefits to which the beneficiary may be entitled, effective as of the first of the month following the month of initial entitlement, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. When primary Social Security disability benefits are increased by cost-of-living adjustments, the increased reduction shall be applied in the first month following the month in which the member becomes entitled to the increased Social Security benefit. The monthly benefit shall be further reduced by the amount of any monthly payments from the federal Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided, in any event, the benefit payable shall be no less than ten dollars (\$10.00) a month. However, a disabled participant may elect to receive any salary continuation as provided in G.S. 135-104 in lieu of long-term disability benefits; provided such election shall not extend the first 36 consecutive calendar months of the long-term disability period. An election to receive any salary continuation for any part of any given day shall be in lieu of any long-term benefit payable for that day, provided further, any lump-sum payout for vacation leave shall be treated as if the beneficiary or participant had exhausted the leave and shall be in lieu of any long-term benefit otherwise payable. Provided that, in any event, a beneficiary's benefit shall be reduced during the first 36 months of the long-term disability period by an amount, as determined by the Board of Trustees, equal to a primary Social Security retirement

benefit to which the beneficiary might be ~~entitled~~, effective as of the first of the month following the month of initial entitlement.

After 36 months of long-term disability, no further benefits are payable under the terms of this section unless the member has been approved and is in receipt of primary Social Security disability benefits. In that case the benefits payable shall be equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period as may be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced by the primary Social Security disability benefits to which the beneficiary may be entitled, effective as of the first of the month following the month of initial entitlement, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. When primary Social Security disability benefits are increased by cost-of-living adjustments, the increased reduction shall be applied in the first month following the month in which the member becomes entitled to the increased Social Security benefit. The monthly benefit shall be further reduced by the amount of any monthly payments from the federal Department of Veterans Affairs, for payments from any other federal agency, or for any payments made under the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided, in any event, the benefit payable shall be no less than ten dollars (\$10.00) a month.

Notwithstanding the foregoing, the long-term disability benefit is payable so long as the beneficiary is disabled and is in receipt of a primary Social Security disability benefit until the earliest date at which the beneficiary is eligible for an unreduced service retirement allowance from the Retirement System, at which time the beneficiary would receive a retirement allowance calculated on the basis of the beneficiary's average final compensation at the time of disability as adjusted to reflect compensation increases subsequent to the time of disability and the creditable service accumulated by the beneficiary, including creditable service while in receipt of benefits under the Plan. In the event the beneficiary has not been approved and is not in receipt of a primary Social Security disability benefit, the long-term disability benefit shall cease after the first 36 months of the long-term disability period. When such a long-term disability recipient begins receiving this unreduced service retirement allowance from the System, that recipient shall not be subject to the six-month waiting period set forth in G.S. 135-1(20). However, a beneficiary shall be entitled to a restoration of the long-term disability benefit in the event the Social Security Administration grants a retroactive approval for primary Social Security disability benefits with a benefit effective date within the first 36 months of the long-term disability period. In such event, the long-term disability benefit shall be restored retroactively to the date of cessation."

SECTION 3.(a) G.S. 135-151(e) reads as rewritten:

"(e) Treatment of Unused Assets. – Any assets of the QEBA plan not used to pay benefits in the current ~~fiscal~~calendar year shall be used for payment of the administrative expenses of the QEBA for the current or future ~~fiscal~~calendar years or shall be paid to the Retirement System as an additional employer contribution."

SECTION 3.(b) G.S. 128-38.10(f) reads as rewritten:

"(f) Treatment of Unused Assets. – Any assets of the QEBA plan not used to pay benefits in the current ~~fiscal~~calendar year shall be used for payment of the administrative expenses of the QEBA for the current or future ~~fiscal~~calendar years or shall be paid to the Retirement System as an additional employer contribution."

SECTION 4. G.S. 128-29.1 is repealed.

SECTION 5. G.S. 114-2.4A(c) reads as rewritten:

"(c) Exception. – Subsections (b) and (e) of this section shall not apply to funds ~~to~~of;

(1) Funds received by the Department of Health and Human Services to the extent those funds represent the recovery of previously expended Medicaid funds.

(2) Funds received by the Escheat Fund and benefit plans administered by the Department of State Treasurer."

SECTION 6. G.S. 135-4(g) reads as rewritten:

"(g) Teachers and other State employees who served in the uniformed services as defined in the Uniformed Services Employment and Reemployment Rights Act of 1994, 38 U.S.C. § 4303, who were not dishonorably discharged, and who, after being honorably discharged, who returned to the service of the State within a period of two years from date of discharge shall be credited with prior service for such period of service in the uniformed services for the maximum period that they are entitled to reemployment under the Uniformed Services Employment and Reemployment Rights Act of 1994, 38 U.S.C. § 4301, et seq., or other federal law, and the salary or compensation of such a teacher or State employee during that period of service is deemed to be that salary or compensation the employee would have received but for the period of service had the employee remained continuously employed, if the determination of that salary or compensation is reasonably certain. If the determination of the salary or compensation is not reasonably certain, then it is deemed to be that employee's average rate of compensation during the 12-month period immediately preceding the period of service. When a member who has served in the uniformed services returns to work in compliance with the conditions of this subsection, that member's employer shall remit to the System all employer and employee contributions for the full period of that member's military service."

SECTION 7. This act becomes effective July 1, 2015.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE BILL 274

Short Title:	Retirement Technical Corrections Act of 2015.-AB	(Public)
<hr/>		
Sponsors:	Representatives Gill, L. Bell, Elmore, and Waddell (Primary Sponsors).	
	<i>For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.</i>	
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Referred to:	Pensions and Retirement.	
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March 19, 2015

A BILL TO BE ENTITLED
AN ACT TO ENACT THE RETIREMENT TECHNICAL CORRECTIONS ACT OF 2015.
The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-1(10) reads as rewritten:

"(10) "Employee" shall mean all full-time employees, agents or officers of the State of North Carolina or any of its departments, bureaus and institutions other than educational, whether such employees are elected, appointed or employed: Provided that the term "employee" shall not include any person who is a member of the Consolidated Judicial Retirement System, any member of the General Assembly or any part-time or temporary employee. Notwithstanding any other provision of law, "employee" shall include all employees of the General Assembly except participants in the Legislative Intern Program, pages, and beneficiaries in receipt of a monthly retirement allowance under this Chapter who are reemployed on a temporary basis. "Employee" also includes any participant whose employment is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, if that participant was an employee at the time of the interruption; if the participant does not return immediately after that service to employment with a covered employer in this System, then the participant shall be deemed "in service" until the date on which the participant was first eligible to be separated or released from his or her involuntary military service. In all cases of doubt, the Board of Trustees shall determine whether any person is an employee as defined in this Chapter. "Employee" shall also mean every full-time civilian employee of the North Carolina National Guard who is employed pursuant to section 709 of Title 32 of the United States Code and paid from federal appropriated funds, but held by the federal authorities not to be a federal employee: Provided, however, that the authority or agency paying the salaries of such employees shall deduct or cause to be deducted from each employee's salary the employee's contribution in accordance with applicable provisions of G.S. 135-8 and remit the same, either directly or indirectly, to the Retirement System; coverage of employees described in this sentence shall commence upon the first day of the calendar year or fiscal year, whichever is earlier, next following the date of execution of an agreement between the Secretary



of Defense of the United States and the Adjutant General of the State acting for the Governor in behalf of the State, but no credit shall be allowed pursuant to this sentence for any service previously rendered in the above-described capacity as a civilian employee of the North Carolina National Guard: Provided, further, that the Adjutant General, in the Adjutant General's discretion, may terminate the Retirement System coverage of the above-described North Carolina National Guard employees if a federal retirement system is established for such employees and the Adjutant General elects to secure coverage of such employees under such federal retirement system. Any full-time civilian employee of the North Carolina National Guard described above who is now or hereafter may become a member of the Retirement System may secure Retirement System credit for such service as a North Carolina National Guard civilian employee for the period preceding the time when such employees became eligible for Retirement System coverage by paying to the Retirement System an amount equal to that which would have constituted employee contributions if the employee had been a member during the years of ineligibility, plus interest. Employees of State agencies, departments, institutions, boards, and commissions who are employed in permanent job positions on a recurring basis ~~and who must work at least 30 or more hours per week for nine or more months per calendar year~~ are in order to be covered by the provisions of this subdivision. On and after August 1, 2001, a person who is a nonimmigrant alien and who otherwise meets the requirements of this subdivision shall not be excluded from the definition of "employee" solely because the person holds a temporary or time-limited visa."

SECTION 2. G.S. 135-106(b) reads as rewritten:

"(b) After the commencement of benefits under this section, the benefits payable under the terms of this section during the first 36 months of the long-term disability period shall be equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period as may be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced by any primary Social Security disability benefits to which the beneficiary may be entitled, effective as of the first of the month following the month of initial entitlement, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. When primary Social Security disability benefits are increased by cost-of-living adjustments, the increased reduction shall be applied in the first month following the month in which the member becomes entitled to the increased Social Security benefit. The monthly benefit shall be further reduced by the amount of any monthly payments from the federal Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided, in any event, the benefit payable shall be no less than ten dollars (\$10.00) a month. However, a disabled participant may elect to receive any salary continuation as provided in G.S. 135-104 in lieu of long-term disability benefits; provided such election shall not extend the first 36 consecutive calendar months of the long-term disability period. An election to receive any salary continuation for any part of any given day shall be in lieu of any long-term benefit payable for that day. provided further, any lump-sum payout for vacation leave shall be treated as if the beneficiary or participant had exhausted the leave and shall be in lieu of any long-term benefit otherwise payable. Provided that, in any event, a beneficiary's benefit shall be reduced during the first 36 months of the long-term disability period by an

amount, as determined by the Board of Trustees, equal to a primary Social Security retirement benefit to which the beneficiary might be ~~entitled~~ entitled, effective as of the first of the month following the month of initial entitlement.

After 36 months of long-term disability, no further benefits are payable under the terms of this section unless the member has been approved and is in receipt of primary Social Security disability benefits. In that case the benefits payable shall be equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period as may be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced by the primary Social Security disability benefits to which the beneficiary may be entitled, effective as of the first of the month following the month of initial entitlement, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. When primary Social Security disability benefits are increased by cost-of-living adjustments, the increased reduction shall be applied in the first month following the month in which the member becomes entitled to the increased Social Security benefit. The monthly benefit shall be further reduced by the amount of any monthly payments from the federal Department of Veterans Affairs, for payments from any other federal agency, or for any payments made under the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided, in any event, the benefit payable shall be no less than ten dollars (\$10.00) a month.

Notwithstanding the foregoing, the long-term disability benefit is payable so long as the beneficiary is disabled and is in receipt of a primary Social Security disability benefit until the earliest date at which the beneficiary is eligible for an unreduced service retirement allowance from the Retirement System, at which time the beneficiary would receive a retirement allowance calculated on the basis of the beneficiary's average final compensation at the time of disability as adjusted to reflect compensation increases subsequent to the time of disability and the creditable service accumulated by the beneficiary, including creditable service while in receipt of benefits under the Plan. In the event the beneficiary has not been approved and is not in receipt of a primary Social Security disability benefit, the long-term disability benefit shall cease after the first 36 months of the long-term disability period. When such a long-term disability recipient begins receiving this unreduced service retirement allowance from the System, that recipient shall not be subject to the six-month waiting period set forth in G.S. 135-1(20). However, a beneficiary shall be entitled to a restoration of the long-term disability benefit in the event the Social Security Administration grants a retroactive approval for primary Social Security disability benefits with a benefit effective date within the first 36 months of the long-term disability period. In such event, the long-term disability benefit shall be restored retroactively to the date of cessation."

SECTION 3.(a) G.S. 135-151(e) reads as rewritten:

"(e) Treatment of Unused Assets. – Any assets of the QEBA plan not used to pay benefits in the current ~~fiscal~~ calendar year shall be used for payment of the administrative expenses of the QEBA for the current or future ~~fiscal~~ calendar years or shall be paid to the Retirement System as an additional employer contribution."

SECTION 3.(b) G.S. 128-38.10(f) reads as rewritten:

"(f) Treatment of Unused Assets. – Any assets of the QEBA plan not used to pay benefits in the current ~~fiscal~~ calendar year shall be used for payment of the administrative expenses of the QEBA for the current or future ~~fiscal~~ calendar years or shall be paid to the Retirement System as an additional employer contribution."

SECTION 4. G.S. 128-29.1 is repealed.

SECTION 5. G.S. 114-2.4A(c) reads as rewritten:

- 1 "(c) Exception. – Subsections (b) and (e) of this section shall not apply ~~to funds to:~~
2 (1) Funds received by the Department of Health and Human Services to the
3 extent those funds represent the recovery of previously expended Medicaid
4 funds.
5 (2) Funds received by the Escheat Fund and benefit plans administered by the
6 Department of State Treasurer."
7 **SECTION 6.** This act becomes effective July 1, 2015.

House Com. A VISITOR REGISTRATION SHEET Pensions & Retirement

~~Joint Committee on Appropriations, Justice & Public Safety~~

March 31, 2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Sarah Collins	NC League of Munic.
Tanya HATH	TJS
ANDY WALSH	SA
JACKSON CORROTT	NSS
Rory Presnell	NCRSP
R Rogers	NCRGRA
Chuck Stone	SEAKO
Emily Ellis	DST
Charan Mohan	DST
Solhari	DST
WATTS	DST



House Com. Pensions ; Retirement

March 31, 2015

Date _____

FIRM OR AGENCY AND ADDRESS

—had 7 LRV.

DPS HR Shore Bldg 214 Jones Str. Raleigh, NC 27603



House Committee on Pensions and Retirement
Tuesday, April 14, 2015 at 10:00am
Room 415 LOB

MINUTES

The House Committee on Pensions and Retirement met at 10:00am on Tuesday, April 14, 2015 in Room 415 of the Legislative Office Building. Representatives McNeill, Ross, Michaux, L. Bell, Bishop, Blust, B. Brown, Gill, Holley, Hurley, Langdon, and Waddell attended.

Representative Allen McNeill presided and called the meeting to order at 10:00am. He introduced the pages and Sergeant at Arms staff.

The chair recognized Representative Ross to explain his bill, HB 277, RETIREMENT ADMIN. CHANGES ACT OF 2015.-AB.

A motion was made by Representative Michaux to place a PCS before the committee for HB 277. Motion was accepted by the committee. Representative Ross explained the PCS.

There was discussion by the committee and Sam Watts, Policy Director of the Treasurer's office. Representative Waddell moved for a favorable committee substitute, unfavorable to the original bill. The motion passed.

Representative McNeill then recognized Representative Collins to present his bill, HB 301, ESCHEAT FUND MODIFICATIONS.-AB.

Representative Langdon made a motion to place before the committee a PCS for HB 301 and the motion was accepted by the committee. Representative Collins explained the PCS.

There was discussion on HB 301 by the committee and Tony Solari from the Treasurer's office. Representative Langdon moved for a favorable proposed committee substitute, unfavorable to the original with a referral to Appropriations and the motion passed.

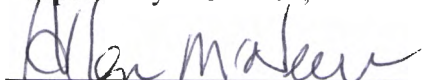
Representative Ross then took the chair so that Representative McNeill could present his bill, HB 555, PROBATION/PAROLE OFFICERS RETIREMENT.

Representative McNeill explained HB 555 and after a short discussion, Representative Langdon moved for a favorable report with a referral to Appropriations. The motion passed.

House Bills 331 and 385 were not heard in this meeting.

There being no further business, Representative McNeill adjourned the meeting at 10:47am.

Respectfully submitted,



Representative Allen McNeill, Chair



Laura Sullivan, Committee Clerk



ATTENDANCE

House Committee on Pensions and Retirement

(Name of Committee)

[illegible]



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Pensions and Retirement** will meet as follows:

DAY & DATE: Tuesday, April 14, 2015
TIME: 10:00 AM
LOCATION: 415 LOB
COMMENTS: Rep. Allen McNeill, Chair.

The following bills will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 277	Retirement Admin. Changes Act of 2015.-AB	Representative Ross Representative Gill Representative Goodman Representative McNeill
HB 301	Escheat Fund Modifications.-AB	Representative Collins Representative Ross Representative Tine Representative Warren
HB 331	Sheriffs' Supp. Pension Fund/Sick Leave.	Representative Saine Representative Setzer
HB 385	Increase Sheriffs' Supp. Pension Court Cost.	Representative McNeill Representative Presnell Representative Shepard Representative Waddell
HB 555	Probation/Parole Officers Retirement.	Representative McNeill Representative Faircloth Representative Boles Representative Hurley



Respectfully,

Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 3:25 PM on Wednesday, April 08, 2015.

___ Principal Clerk
___ Reading Clerk – House Chamber

Laura Sullivan (Committee Assistant)





AGENDA

2015-2016 House Committee on Pensions & Retirement

Date: April 14, 2015

Room: 415LOB

Time: 10:00 am

Presiding: Representative Allen McNeill, Chairman

AGENDA ITEMS

HB 277 Retirement Admin. Changes Act of 2015.-AB

Representative Ross, Sponsor

Representative Gill, Sponsor

Representative Goodman, Sponsor

Representative McNeill, Sponsor

HB 301 Escheat Fund Modifications.-AB

Representative Collins, Sponsor

Representative Ross, Sponsor

Representative Tine, Sponsor

Representative Warren, Sponsor

HB 331 Sheriffs' Supp. Pension Fund/Sick Leave

Representative Saine

Representative Setzer, Sponsor

HB 385 Increase Sheriffs' Supp. Pension Court Cost

Representative McNeill, Sponsor

Representative Presnell, Sponsor

Representative Shepard, Sponsor

Representative Waddell, Sponsor



HB 555 Probation/Parole Officers Retirement

Representative McNeill, Sponsor

Representative Faircloth, Sponsor

Representative Boles, Sponsor

Representative Hurley, Sponsor

ADJOURNMENT



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

PENSIONS AND RETIREMENT COMMITTEE REPORT

**Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair**

FAVORABLE COM SUB , UNFAVORABLE ORIGINAL BILL AND RE-REFERRED

HB 301

Escheat Fund Modifications.-AB

Draft Number: H301-PCS10332-SH-13

Serial Referral: None

Recommended Referral: APPROPRIATIONS

Long Title Amended: No

Floor Manager: Collins

TOTAL REPORTED: 1



* C M R 1 3 5 - V - 1 *



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

PENSIONS AND RETIREMENT COMMITTEE REPORT

**Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair**

FAVORABLE AND RE-REFERRED

HB 555

Probation/Parole Officers Retirement.

Draft Number: None

Serial Referral: APPROPRIATIONS

Recommended Referral: None

Long Title Amended: No

Floor Manager: McNeill

FAVORABLE COM SUB , UNFAVORABLE ORIGINAL BILL

HB 277

Retirement Admin. Changes Act of 2015.-AB

Draft Number: H277-PCS40388-RO-3

Serial Referral: None

Recommended Referral: None

Long Title Amended: No

Floor Manager: Ross

TOTAL REPORTED: 2



* C M R 1 3 9 - V - 1 *



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

2

HOUSE BILL 277
Committee Substitute Favorable 4/14/15

Short Title: Retirement Admin. Changes Act of 2015.-AB

(Public)

Sponsors:

Referred to:

March 19, 2015

A BILL TO BE ENTITLED

AN ACT TO ENACT THE RETIREMENT ADMINISTRATIVE CHANGES ACT OF 2015.

The General Assembly of North Carolina enacts:

SECTION 1.(a) The terms of office of the present members of the Supplemental Retirement Board of Trustees shall expire on June 30, 2016. Effective for terms to begin on July 1, 2016, the members of the Board shall be appointed as provided in G.S. 135-96, as amended by this act.

SECTION 1.(b) G.S. 135-96 reads as rewritten:

"§ 135-96. Supplemental Retirement Board of Trustees.

(a) The Supplemental Retirement Board of Trustees is established to administer the Supplemental Retirement Income Plan established under the provisions of this Article and the North Carolina Public Employee Deferred Compensation Plan established under G.S. 143B-426.24, and the North Carolina Public School Teachers' and Professional Educators' Investment Plan established under G.S. 115C-341.2.

(b) The Board consists of nine voting members, as follows:

- (1) Six persons appointed by the Governor who have experience in finance and investments, one of whom shall be a State employee, and one of whom shall be a retired State or local governmental employee;
- (2) One person appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives;
- (3) One person appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate; and
- (4) The State Treasurer, ex officio, who shall be the Chair.

(c) ~~The initial appointments by the General Assembly and two of the Governor's initial appointments shall be for one-year terms. The remainder of the initial appointments shall be for two-year terms. At the expiration of these initial terms, appointments shall be for two years and shall be made by the appointing authorities designated in subsection (b) of this section. Effective July 1, 2016:~~

- (1) The appointments made by the General Assembly pursuant to subdivisions (2) and (3) of subsection (b) of this section shall be for initial terms of three years, to expire June 30, 2019.
- (2) Three of the appointments made by the Governor pursuant to subdivision (1) of subsection (b) of this section shall be for initial terms of one year, to expire June 30, 2017.



- (3) Three of the appointments made by the Governor pursuant to subdivision (1) of subsection (b) of this section shall be for initial terms of two years, to expire June 30, 2018.

Upon the expiration of these initial terms, appointments for all members shall be for terms of three years beginning on the day following the expiration date of the previous member's term.

(c1) A member shall continue to serve until the member's successor is duly appointed, but a holdover under this provision does not affect the expiration date of the succeeding term. No member of the Board may serve ~~more than three~~ longer than any of the following:

- (1) Two consecutive ~~two-year~~ three-year terms.
(2) Three consecutive terms of any length, in the event that one or more of the terms is for fewer than three years in duration or the member serves a partial term as result of filling a vacancy.
(3) Eight consecutive years, regardless of term lengths.

(d) Other than ex officio members, members appointed by the Governor shall serve at the Governor's pleasure. An ex officio member may designate in writing, filed with the Board, any employee of the member's department to act at any meeting of the Board from which the member is absent, to the same extent that the member could act if present in person at such meeting.

(e) The Board may retain the services of independent appraisers, auditors, actuaries, attorneys, investment counseling firms, statisticians, custodians, or other persons or firms possessing specialized skills or knowledge necessary for the proper administration of investment programs that the Board administers pursuant to this section."

SECTION 2. Article 3 of Chapter 111 of the General Statutes is amended by adding a new section to read:

"§ 111-47.3 Food service at Department of State Treasurer.

Notwithstanding any other provision of this Article, the Department of State Treasurer may operate or contract for the operation of food or vending services at Department of State Treasurer offices. The net proceeds of revenue generated by food and vending services that are provided at the Department of State Treasurer by the agency or a vendor with whom the agency has contracted shall be credited to the Division of Services for the Blind of the Department of Health and Human Services for the purposes specified in G.S. 111-43."

SECTION 3.(a) G.S. 147-69.2(b) reads as rewritten:

"(b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in subsection (a) of this section in excess of the amount required to meet the current needs and demands on such funds. The State Treasurer may invest the funds as provided in this subsection. If an investment was authorized by this subsection at the time the investment was made or contractually committed to be made, then that investment shall continue to be authorized by this subsection, and none of the percentage or other limitation on investments set forth in this subsection shall be construed to require the State Treasurer to subsequently dispose of the investment or fail to honor any contractual commitments as a result of changes in market values, ratings, or other investment qualifications. For purposes of computing market values on which percentage limitations on investments in this subsection are based, all investments shall be valued as of the last date of the most recent fiscal quarter.

- (1) Investments authorized by G.S. 147-69.1(c)(1)-(7).
(2) General obligations of other states of the United States.
(3) General obligations of cities, counties and special districts in North Carolina.
(4) Obligations of any company, other organization or legal entity incorporated or otherwise created or located within or outside the United States, including obligations that are convertible into equity securities, if the obligations bear

one of the four highest ratings of at least one nationally recognized rating service when acquired.

(5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.

(6) Asset-backed securities (whether considered debt or equity) provided they bear ratings by nationally recognized rating services as provided in G.S. 147-69.2(b)(4).

(6a) In addition to the limitations and requirements with respect to the investments of the Retirement Systems set forth in this subsection, the State Treasurer shall select investments of the assets of the Retirement Systems such that investments made pursuant to subdivisions (b)(1) through (6) of this section shall at all times equal or exceed twenty percent (20%) of the market value of all invested assets of the Retirement Systems.

(6b) Investments pursuant to subdivisions (b)(1) through (6) of this section may be made directly by the State ~~Treasurer~~ Treasurer, through investment companies registered under the Investment Company Act of 1940, individual, common, or collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by subdivisions (1) through (6) of this subsection, or through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by subdivisions (b)(1) through (6) of this section, provided for each indirect investment, the investment manager has assets under management of at least one hundred million dollars (\$100,000,000).

...."

SECTION 3.(b) G.S. 147-77 reads as rewritten:

"§ 147-77. Daily deposit of funds to credit of Treasurer.

All funds belonging to the State of North Carolina, in the hands of any head of any department of the State which collects revenue for the State in any form whatsoever, and every institution, agency, officer, employee, or representative of the State or any agency, department, division or commission thereof, except officers and the clerks of the Supreme Court and Court of Appeals, collecting or receiving any funds or money belonging to the State of North Carolina, shall daily deposit the same in some bank, or trust company, selected or designated by the State Treasurer, in the name of the State Treasurer, at noon, or as near thereto as may be, and shall report the same daily to ~~said Treasurer. Provided that the~~ Treasurer. The State Treasurer may authorize exemptions from the provisions of this section so long as funds are deposited and reported pursuant to the provisions of this section at least once a week and, in addition, so long as funds are deposited and reported pursuant to the provisions of this section whenever as much as ~~two hundred fifty dollars (\$250.00)~~ five thousand dollars (\$5,000) has been collected and ~~received. Provided, that the~~ received. Each State agency that has custody of funds less than five thousand dollars (\$5,000) shall provide adequate safekeeping of such funds. The Treasurer may refund the amount of any bad checks which have been returned to the department by the Treasurer when the same have not been collected after 30 days' trial."

SECTION 4. G.S. 135-1(20) reads as rewritten:

"(20) "Retirement" under this ~~Chapter~~ Chapter, except as otherwise provided, means the commencement of monthly retirement benefits along with termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service. A retirement allowance under the provisions of this Chapter may only be granted upon retirement of a member. In order for a member's retirement to

become effective in any month, the member must perform no work for an employer, including part-time, temporary, substitute, or contractor work, at any time during the six months immediately following the effective date of retirement. For purposes of this subdivision, working as a member of a school board, board of trustees of a community college, board of trustees of any constituent institution of The University of North Carolina, as an unpaid bona fide volunteer in a local school administrative unit, or as an unpaid bona fide volunteer guardian ad litem in the guardian ad litem program shall not be considered ~~service~~ service or work, and volunteering in positions normally designated as unpaid bona fide volunteer positions during the six months immediately following the effective date of retirement shall not be considered service. A member who is a full-time faculty member of The University of North Carolina may effect a retirement allowance under this Chapter, notwithstanding the six-month requirement above, provided the member immediately enters the University's Phased Retirement Program for Tenured Faculty as that program existed on May 25, 2011."

SECTION 5.(a) G.S. 135-8(f) is amended by adding a new subdivision to read:

"(4) In conjunction with the employee and employer contributions required under this section, the Board of Trustees shall direct employers to submit such information on a monthly basis as is necessary for proper administration of the Retirement System, actuarial valuation, and reporting under accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation. Submission of such information by an employer to the Retirement System constitutes a certification of its accuracy."

SECTION 5.(b) G.S. 128-30(g) is amended by adding a new subdivision to read:

"(4) In conjunction with the employee and employer contributions required under this section, the Board of Trustees shall direct employers to submit such information on a monthly basis as is necessary for proper administration of the Retirement System, actuarial valuation, and reporting under accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation. Submission of such information by an employer to the Retirement System constitutes a certification of its accuracy."

SECTION 6.(a) G.S. 135-8(f)(3) reads as rewritten:

"(3) In the event the employee or employer contributions required under this section are not received by the date set by the Board of Trustees, the Board shall assess the employer with a penalty, in lieu of interest, of 1% per month with a minimum penalty of twenty-five dollars (\$25.00). The Board may waive one penalty per employer every five years if the Board finds that the employer has consistently demonstrated good-faith efforts to comply with the set deadline. If within 90 days after request therefor by the Board any employer shall not have provided the System with the records and other information required hereunder or if the full accrued amount of the contributions provided for under this section due from members employed by an employer or from an employer other than the State shall not have been received by the System from the chief fiscal officer of such employer within 30 days after the last due date as herein provided, then, notwithstanding anything herein or in the provisions of any other law to the contrary, upon notification by the Board to the State Treasurer as to the default of such employer as herein provided, any distributions which might otherwise be

made to such employer from any funds of the State shall be withheld from such employer until notice from the Board to the State Treasurer that such employer is no longer in default.

In the event that an employer fails to submit payment of any required contributions or payments to the Retirement Systems Division, other than the one percent (1%) payment provided for in the first paragraph of this subdivision, within 90 days after the date set by the Board of Trustees, the Board shall notify the State Treasurer of its intent to collect the delinquent contributions and other payments due to the Retirement Systems Division and request an interception of State appropriations due to the participating employer. Upon such notification by the Board of Trustees to the State Treasurer and the Office of State Budget and Management as to the default of the employer, the Office of State Budget and Management shall withhold from any State appropriation due to that employer an amount equal to the sum of all delinquent contributions and other debts due to the Retirement Systems Division and shall transmit that amount to the Retirement Systems Division."

SECTION 6.(b) G.S. 128-30(g)(3) reads as rewritten:

"(3) In the event the employee or employer contributions required under this section are not received by the date set by the Board of Trustees, the Board shall assess the employer with a penalty, in lieu of interest, of 1% per month with a minimum penalty of twenty-five dollars (\$25.00). The Board may waive one penalty per employer every five years if the Board finds that the employer has consistently demonstrated good-faith efforts to comply with the set deadline. If within 90 days after request therefor by the Board any employer shall not have provided the System with the records and other information required hereunder or if the full accrued amount of the contributions provided for under this section due from members employed by an employer or from an employer shall not have been received by the System from the chief fiscal officer of such employer within 30 days after the last due date as herein provided, then, notwithstanding anything herein or in the provisions of any other law to the contrary, upon notification by the Board to the State Treasurer as to the default of such employer as herein provided, any distributions which might otherwise be made to such employer, or the municipality or county of which such employer is an integral part, from any funds of the State or any funds collected by the State shall be withheld from such employer until notice from the Board to the State Treasurer that such employer is no longer in default.

In the event that an employer fails to submit payment of any required contributions or payments to the Retirement Systems Division, other than the one percent (1%) payment provided for in the first paragraph of this subdivision, within 90 days after the date set by the Board of Trustees, the Board shall notify the State Treasurer of its intent to collect the delinquent contributions and other payments due to the Retirement Systems Division and request an interception of State appropriations due to the participating employer. Upon such notification by the Board of Trustees to the State Treasurer and the Office of State Budget and Management as to the default of the employer, the Office of State Budget and Management shall withhold from any State appropriation due to that employer an amount equal to the sum of all delinquent contributions and other debts due to the Retirement

1 Systems Division and shall transmit that amount to the Retirement Systems
2 Division."

3 **SECTION 6.(c)** G.S. 115C-438 reads as rewritten:

4 **"§ 115C-438. Provision for disbursement of State money.**

5 The deposit of money in the State treasury to the credit of local school administrative units
6 shall be made in monthly installments, and additionally as necessary, at such time and in such a
7 manner as may be most convenient for the operation of the public school system. Before an
8 installment is credited, the school finance officer shall certify to the State Board of Education
9 the expenditures to be made by the local school administrative unit from the State Public
10 School Fund during the month. This certification shall be filed on or before the fifth day
11 following the end of the month preceding the period in which the expenditures will be made.
12 The State Board of Education shall determine whether the moneys requisitioned are due the
13 local school administrative unit, and upon determining the amount due, shall cause the requisite
14 amount to be credited to the local school administrative unit. Upon receiving notice from the
15 State Treasurer of the amount placed to the credit of the local school administrative unit, the
16 finance officer may issue State warrants up to the amount so certified.

17 Upon notification by the Board of Trustees of the Teachers' and State Employees'
18 Retirement System to the State Treasurer and the Office of State Budget and Management as to
19 the default of the local school administrative unit, the State Board of Education shall withhold
20 from any State appropriation due to the local school administrative unit an amount equal to the
21 sum of all delinquent contributions and payments due to the Retirement Systems Division and
22 shall transmit that amount to the Retirement Systems Division.

23 The State Board of Education may withhold money for payment of salaries for
24 administrative officers of local school administrative units if any report required to be filed
25 with State school authorities is more than 30 days overdue. The State Board of Education shall
26 withhold money for payment of salaries for the superintendent, finance officer, and all other
27 administrative officers charged with providing payroll information pursuant to
28 G.S. 115C-12(18), if the local school administrative unit fails to provide the payroll
29 information to the State Board in a timely fashion and substantially in accordance with the
30 standards set by the State Board. The State Board of Education shall also withhold money used
31 for payment of salaries for the superintendent, transportation director, and all other
32 administrative officers or employees charged by the local board of education or the local
33 superintendent with implementing the Transportation Information Management System,
34 pursuant to G.S. 115C-240(d), if the State Board finds that a local school administrative unit is
35 not progressing in good faith and is not using its best efforts to implement the Transportation
36 Information Management System.

37 Money in the State Public School Fund and State bond moneys shall be released only on
38 warrants drawn on the State Treasurer, signed by such local official as may be required by the
39 State Board of Education."

40 **SECTION 7.** G.S. 150B-21.3A is amended by adding a new subsection to read:

41 "(e1) Rules to Protect Inchoate or Accrued Rights of Retirement Systems Members. –
42 Rules deemed by the Boards of Trustees established under G.S. 128-28 and G.S. 135-6 to
43 protect inchoate or accrued rights of members of the Retirement Systems administered by the
44 State Treasurer shall not expire as provided by this section. The Commission shall report
45 annually to the Committee on any rules that do not expire pursuant to this subsection."

46 **SECTION 8.** G.S. 128-21 is amended by adding three new subdivisions to read:

47 "(10a) "Regularly employed" shall mean employment in a position for which the
48 duties require not less than 1,000 hours of work in a calendar year, provided
49 that the term shall not include any individuals whose employment is
50 considered "temporary employment" as defined in subdivision (10b) of this

section or "statutorily-required interim employment" as defined in subdivision (10c) of this section.

(10b) "Temporary employment" shall mean employment for a limited term, in no case to exceed 12 consecutive months on a nonrecurring basis, for an employer as defined in subdivision (11) of this section.

(10c) "Statutorily-required interim employment" shall mean individuals whose employment for an employer as defined in subdivision (11) of this section occurs as a result of the individual's designation by the city council as an interim city manager, as provided in G.S. 160A-150 for a period not to exceed 12 months on a nonrecurring basis, or as a result of the individual's designation by the board of commissioners as an interim county manager, as provided in G.S. 153A-84 for a period not to exceed 12 months on a nonrecurring basis."

SECTION 9.(a) G.S. 135-91(c) reads as rewritten:

"(c) The Department of State Treasurer and the Board of Trustees shall have full power and authority to adopt rules and regulations for the administration of the Plan, provided they are not inconsistent with the provisions of this Article. The Department of State Treasurer and Board of Trustees may appoint those agents, contractors, employees and committees as they deem advisable to carry out the terms and conditions of the Plan. In order to promote achievement of long-term investment objectives and to retain key public employees with investment functions, the Board of Trustees shall authorize the State Treasurer to establish market-oriented compensation plans, including salaries and performance-related bonuses, for employees possessing specialized skills or knowledge necessary for the proper administration of the Plan, who shall be exempt from the classification and compensation rules established by the Office of State Human Resources. The design and administration of those compensation plans shall be based on compensation studies conducted by a nationally recognized firm specializing in public fund investment compensation. The compensation and other associated employee benefits shall be apportioned directly from the Plan."

SECTION 9.(b) G.S. 126-5 is amended by adding a new subsection to read:

"(c13) Except as to G.S. 126-13, 126-14, 126-14.1, and the provisions of Articles 6, 7, 14, 15, and 16 of this Chapter, the provisions of this Chapter shall not apply to employees of the Department of State Treasurer possessing specialized skills or knowledge necessary for the proper administration of the Supplemental Retirement Plans and compensated pursuant to G.S. 135-91(c)."

SECTION 10.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(m4) A member who has contributions in this System and is not eligible for a retirement benefit as set forth in G.S. 135-5(a) shall be paid his contributions in a lump sum as provided in G.S. 135-5(f) by April 1 of the calendar year following the later of the calendar year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be a teacher or State employee except by death. If such member fails, following reasonable notification, to complete a refund application by such required date, the requirement that a refund application be completed shall be waived and the refund shall be paid without a refund application as a single lump-sum payment with applicable required North Carolina and federal income taxes withheld. For purposes of this subsection, a member shall not be considered to have ceased to be a teacher or State employee if the member is actively contributing to the Consolidated Judicial Retirement System, Local Governmental Employees' Retirement System, or Legislative Retirement System. A lump-sum refund shall not be paid under this subsection if the member is actively contributing to the Consolidated Judicial Retirement System, Local Governmental Employees' Retirement System, or Legislative Retirement System.

A member who has contributions in this System and is eligible for a retirement benefit as set forth in G.S. 135-5(a) shall begin to receive a monthly benefit no later than April 1 of the

1 calendar year following the later of the calendar year in which the member (i) attains 70 and
2 one-half years of age or (ii) has ceased to be a teacher or State employee except by death. If
3 such member fails, following reasonable notification, to complete the retirement process as set
4 forth under Chapter 135 of the General Statutes by such required beginning date, the
5 requirement that a retirement application and an election of payment plan form be completed
6 shall be waived and the retirement allowance shall be paid as a single life annuity. The single
7 life annuity shall be calculated and processed in accordance with G.S. 135-5. For purposes of
8 this subsection, a member shall not be considered to have ceased to be a teacher or State
9 employee if the member is actively contributing to the Consolidated Judicial Retirement
10 System, Local Governmental Employees' Retirement System, or Legislative Retirement
11 System. A retirement benefit shall not be paid under this subsection if the member is actively
12 contributing to the Consolidated Judicial Retirement System, Local Governmental Employees'
13 Retirement System, or Legislative Retirement System."

14 **SECTION 10.(b)** G.S. 128-27 is amended by adding a new subsection to read:

15 "(m3) A member who has contributions in this System and is not eligible for a retirement
16 benefit as set forth in G.S. 128-27(b21) shall be paid his contributions in a lump sum as
17 provided in G.S. 128-27(f) by April 1 of the calendar year following the later of the calendar
18 year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be an
19 employee except by death. If such member fails, following reasonable notification, to complete
20 a refund application by such required date, the requirement that a refund application be
21 completed shall be waived and the refund shall be paid without a refund application as a single
22 lump-sum payment with applicable required North Carolina and federal income taxes withheld.
23 For purposes of this subsection, a member shall not be considered to have ceased to be an
24 employee if the member is actively contributing to the Teachers' and State Employees'
25 Retirement System, Consolidated Judicial Retirement System, or Legislative Retirement
26 System. A lump-sum refund shall not be paid under this subsection if the member is actively
27 contributing to the Teachers' and State Employees' Retirement System, Consolidated Judicial
28 Retirement System, or Legislative Retirement System."

29 A member who has contributions in this System and is eligible for a retirement benefit as
30 set forth in G.S. 128-27(21) shall begin to receive a monthly benefit no later than April 1 of the
31 calendar year following the later of the calendar year in which the member (i) attains 70 and
32 one-half years of age or (ii) has ceased to be an employee except by death. If such member
33 fails, following reasonable notification, to complete the retirement process as set forth under
34 Chapter 128 of the General Statutes by such required beginning date, the requirement that a
35 retirement application and an election of payment plan form be completed shall be waived and
36 the retirement allowance shall be paid as a single life annuity. The single life annuity shall be
37 calculated and processed in accordance with G.S. 128-27(b21). For purposes of this subsection,
38 a member shall not be considered to have ceased to be an employee if the member is actively
39 contributing to the Teachers' and State Employees' Retirement System, Consolidated Judicial
40 Retirement System, or Legislative Retirement System. A retirement benefit shall not be paid
41 under this subsection if the member is actively contributing to the Teachers' and State
42 Employees' Retirement System, Consolidated Judicial Retirement System, or Legislative
43 Retirement System."

44 **SECTION 10.(c)** G.S. 135-74 is amended by adding a new subsection to read:

45 "(c1) A member who has contributions in this System and is not eligible for a retirement
46 benefit as set forth in G.S. 135-58(a6) shall be paid his contributions in a lump sum as provided
47 in G.S. 135-62 by April 1 of the calendar year following the later of the calendar year in which
48 the member (i) attains 70 and one-half years of age or (ii) has ceased to be a judge, district
49 attorney, public defender, the Director of Indigent Defense Services, or clerk of superior court
50 as provided in G.S. 135-53, except by death. If such member fails, following reasonable
51 notification, to complete a refund application by such required date, the requirement that a

refund application be completed shall be waived and the refund shall be paid without a refund application as a single lump-sum payment with applicable required North Carolina and federal income taxes withheld. For purposes of this subsection, a member shall not be considered to have ceased to be a judge, district attorney, public defender, the Director of Indigent Defense Services, or clerk of superior court as provided in G.S. 135-53 if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System. A lump-sum refund shall not be paid under this subsection if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System.

A member who has contributions in this System and is eligible for a retirement benefit as set forth in G.S. 120-4.21 shall begin to receive a monthly benefit no later than April 1 of the calendar year following the later of the calendar year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be a judge, district attorney, public defender, the Director of Indigent Defense Services, or clerk of superior court as provided in G.S. 135-53, except by death. If such member fails, following reasonable notification, to complete the retirement process as set forth under Chapter 120 of the General Statutes by such required beginning date, the requirement that a retirement application and an election of payment plan form be completed shall be waived and the retirement allowance shall be paid as a single life annuity. The single life annuity shall be calculated and processed in accordance with G.S. 120-4.21. For purposes of this subsection, a member shall not be considered to have ceased to be a judge, district attorney, public defender, the Director of Indigent Defense Services, or clerk of superior court as provided in G.S. 135-53 if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System. A retirement benefit shall not be paid under this subsection if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System."

SECTION 10.(d) G.S. 120-4.31 is amended by adding a new subsection to read:

"(c1) A member who has contributions in this System and is not eligible for a retirement benefit as set forth in G.S. 120-4.21 shall be paid his contributions in a lump sum as provided in G.S. 120-4.25 by April 1 of the calendar year following the later of the calendar year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be a member of the General Assembly, except by death. If such member fails, following reasonable notification, to complete a refund application by such required date, the requirement that a refund application be completed shall be waived and the refund shall be paid without a refund application as a single lump-sum payment with applicable required North Carolina and federal income taxes withheld. For purposes of this subsection, a member shall not be considered to have ceased to be a member of the General Assembly if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System. A lump-sum refund shall not be paid under this subsection if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System.

A member who has contributions in this System and is eligible for a retirement benefit as set forth in G.S. 120-4.21 shall begin to receive a monthly benefit no later than April 1 of the calendar year following the later of the calendar year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be a member of the General Assembly, except by death. If such member fails, following reasonable notification, to complete the retirement process as set forth under Chapter 120 of the General Statutes by such required beginning date, the requirement that a retirement application and an election of payment plan form be

completed shall be waived and the retirement allowance shall be paid as a single life annuity. The single life annuity shall be calculated and processed in accordance with G.S. 120-4.21. For purposes of this subsection, a member shall not be considered to have ceased to be a member of the General Assembly if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System. A retirement benefit shall not be paid under this subsection if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System."

SECTION 11.(a) G.S. 135-3(8) is amended by adding a new sub-subdivision to read:

"f. Should a beneficiary who retired on an early or service retirement allowance under this Chapter be reemployed by, or otherwise engaged to perform services for, an employer participating in the Retirement System on a part-time, temporary, interim, or on a fee for service basis, whether contractual or otherwise at any time during the six months immediately following the effective date of retirement, then the option of the two listed below that has the lesser financial impact on the member, as determined by the Retirement System, shall be applied:

1. The member's retirement shall be deemed effective the month after the last month the member performed services for a participating employer, and the member shall repay all retirement benefits paid up to the deemed effective date, provided the member thereafter has satisfied the six-month separation required by G.S. 135-1(20).
2. The member shall make a lump-sum payment to the Retirement System equal to three times the amount of compensation earned during the six months immediately following the effective date of retirement."

SECTION 11.(b) G.S. 128-24(5) is amended by adding a new sub-subdivision to read:

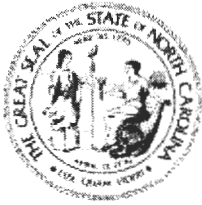
"e. Should a beneficiary who retired on an early or service retirement allowance under this Chapter be reemployed by, or otherwise engaged to perform services for, an employer participating in the Retirement System on a part-time, temporary, interim, or on a fee for service basis, whether contractual or otherwise at any time during the six months immediately following the effective date of retirement, then the option of the two listed below that has the lesser financial impact on the member, as determined by the Retirement System, shall be applied:

1. The member's retirement shall be deemed effective the month after the last month the member performed services for a participating employer, and the member shall repay all retirement benefits paid up to the deemed effective date, provided the member thereafter has satisfied the six-month separation required by G.S. 128-21(19).
2. The member shall make a lump-sum payment to the Retirement System equal to three times the amount of compensation earned during the month immediately following the effective date of retirement."

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SECTION 12. This act becomes effective October 1, 2015.





HOUSE BILL 277: Retirement Admin. Changes Act of 2015.-AB

2015-2016 General Assembly

Committee:	House Pensions and Retirement	Date:	April 13, 2015
Introduced by:	Reps. Ross, Gill, Goodman, McNeill	Prepared by:	Karen Cochrane-Brown
Analysis of:	PCS to First Edition H277-CSRO-3		Committee Counsel

SUMMARY: *The Proposed Committee Substitute for House Bill 277 makes various changes to the laws governing the administration of the State's public employee retirement systems.*

BILL ANALYSIS:

Section 1. Makes changes to the appointment and terms of members of the Supplemental Retirement Board of Trustees. The bill would terminate the terms of all present members of the board effective June 30, 2016. New appointments would be made to insure that the terms were staggered to maintain continuity on the board. The length of each term is extended from two to three years. This provision also sets limits on the number of consecutive terms a member can serve.

Section 2. Authorizes the Department of State Treasurer to operate or contract to operate food or vending services at the Treasurer's office. The net proceeds of any revenue generated by these services would be credited to the Division of Services for the Blind of the Department of Health and Human Services.

Section 3. Clarifies that investments that the State Treasurer is allowed to make for excess funds from the special funds listed in the statute may also be made through registered investment companies, individual, common, or collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized in the statute.

The section also increases the amount the State Treasurer may authorize a State agency to exempt from the requirement of daily deposit into the banking system from \$250 to \$5,000.

Section 4. Amends the definition of the term "Retirement" in the Teachers' and State Employees' Retirement System to clarify that volunteering in positions normally designated as unpaid bona fide volunteer positions during the six months immediately following retirement is not service.

Section 5. Authorizes the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System to direct employers to submit needed information on a monthly basis. The provision also states that submission of the information by the employer constitutes a certification of its accuracy.

O. Walker Reagan
Director



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House Bill 277

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Section 6. Amends the laws governing payments due from employers under the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System and payments due from local school administrative units to provide that if the employer fails to submit required payments within 90 days, the Board can collect delinquent payments by interception of State appropriations due the employer. Upon notification from the Board of Trustees of the default, the Office of State Budget and Management must withhold an amount equal to the amount due to the Retirement System from any State appropriations due to the employer and transmit the amount to the Retirement System.

Section 7. Amends the Administrative Procedure Act to create an exception under the periodic review and expiration existing rules process. Currently if an agency fails to review and readopt an existing rule as required by law, the rule will automatically expire. This section creates an exception for rules deemed by the Board of Trustees of the Retirement Systems to protect inchoate or accrued rights of retirement system members. This provision does not relieve the Retirement System Division of the duty to review and readopt its rules.

Section 8. Adds three new definitions to the law governing the Local Governmental Employees' Retirement System. The provision defines "regularly employed" as employment in a position for which the duties require at least 1000 hours of work in a calendar year, but does not include temporary or statutorily required interim employees. "Temporary employment is defined as employment for a limited term which does not exceed 12 months on a non-recurring basis. "Statutorily-required interim employment" means employment as an interim city or county manager for a period that does not exceed 12 months on a nonrecurring basis.

Section 9. Creates an exemption from the State Human Resources Act for employees of the Department of State Treasurer who possess specialized skills or knowledge necessary for the proper administration of the Supplemental Retirement Plans. The State Treasurer is authorized to establish market-oriented compensation plans, including salaries and performance related bonuses for these employees.

Section 10. Amends the laws of the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System to require that a member's contributions must be paid or retirement benefit must begin by April 1 of the year following the year in which the member reaches age 70 1/2 or ceases to be an employee, whichever is later. This is an IRS-mandated provision.

Section 11. Lessens the financial penalty for a retiree who returns to work during the six months immediately following retirement. The member can either be deemed to have retired the month after the month the member performed services for the employer and repay all retirement benefits received until that date or make a lump sum payment to the Retirement System equal to three times the compensation earned during the six month period.

EFFECTIVE DATE: This act becomes effective October 1, 2015.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE BILL 277

Short Title: Retirement Admin. Changes Act of 2015.-AB (Public)

Sponsors: Representatives Ross, Gill, Goodman, and McNeill (Primary Sponsors).
For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Pensions and Retirement.

March 19, 2015

A BILL TO BE ENTITLED
AN ACT TO ENACT THE RETIREMENT ADMINISTRATIVE CHANGES ACT OF 2015.
The General Assembly of North Carolina enacts:

SECTION 1.(a) The terms of office of the present members of the Supplemental Retirement Board of Trustees shall expire on June 30, 2016. Effective for terms to begin on July 1, 2016, the members of the Board shall be appointed as provided in G.S. 135-96, as amended by this act.

SECTION 1.(b) G.S. 135-96 reads as rewritten:

"§ 135-96. Supplemental Retirement Board of Trustees.

(a) The Supplemental Retirement Board of Trustees is established to administer the Supplemental Retirement Income Plan established under the provisions of this Article and the North Carolina Public Employee Deferred Compensation Plan established under G.S. 143B-426.24, and the North Carolina Public School Teachers' and Professional Educators' Investment Plan established under G.S. 115C-341.2.

(b) The Board consists of nine voting members, as follows:

- (1) Six persons appointed by the Governor who have experience in finance and investments, one of whom shall be a State employee, and one of whom shall be a retired State or local governmental employee;
- (2) One person appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives;
- (3) One person appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate; and
- (4) The State Treasurer, ex officio, who shall be the Chair.

(c) ~~The initial appointments by the General Assembly and two of the Governor's initial appointments shall be for one-year terms. The remainder of the initial appointments shall be for two-year terms. At the expiration of these initial terms, appointments shall be for two years and shall be made by the appointing authorities designated in subsection (b) of this section. Effective July 1, 2016:~~

- (1) The appointments made by the General Assembly pursuant to subdivisions (2) and (3) of subsection (b) of this section shall be for initial terms of three years, to expire June 30, 2019.
- (2) Three of the appointments made by the Governor pursuant to subdivision (1) of subsection (b) of this section shall be for initial terms of one year, to expire June 30, 2017.



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- (3) Three of the appointments made by the Governor pursuant to subdivision (1) of subsection (b) of this section shall be for initial terms of two years, to expire June 30, 2018.

Upon the expiration of these initial terms, appointments for all members shall be for terms of three years beginning on the day following the expiration date of the previous member's term.

(c1) A member shall continue to serve until the member's successor is duly appointed, but a holdover under this provision does not affect the expiration date of the succeeding term. No member of the Board may serve ~~more than three~~ longer than any of the following:

- (1) Two consecutive ~~two-year~~ three-year terms.

- (2) Three consecutive terms of any length, in the event that one or more of the terms is for fewer than three years in duration or the member serves a partial term as result of filling a vacancy.

- (3) Eight consecutive years, regardless of term lengths.

(d) Other than ex officio members, members appointed by the Governor shall serve at the Governor's pleasure. An ex officio member may designate in writing, filed with the Board, any employee of the member's department to act at any meeting of the Board from which the member is absent, to the same extent that the member could act if present in person at such meeting.

(e) The Board may retain the services of independent appraisers, auditors, actuaries, attorneys, investment counseling firms, statisticians, custodians, or other persons or firms possessing specialized skills or knowledge necessary for the proper administration of investment programs that the Board administers pursuant to this section."

SECTION 2. Article 3 of Chapter 111 of the General Statutes is amended by adding a new section to read:

"§ 111-47.3 Food service at Department of State Treasurer.

Notwithstanding any other provision of this Article, the Department of State Treasurer may operate or contract for the operation of food or vending services at Department of State Treasurer offices. The net proceeds of revenue generated by food and vending services that are provided at the Department of State Treasurer by the agency or a vendor with whom the agency has contracted shall be credited to the Division of Services for the Blind of Department of Health and Human Services for the purposes specified in G.S. 111-43."

SECTION 3.(a) G.S. 147-69.2(b) reads as rewritten:

"(b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in subsection (a) of this section in excess of the amount required to meet the current needs and demands on such funds. The State Treasurer may invest the funds as provided in this subsection. If an investment was authorized by this subsection at the time the investment was made or contractually committed to be made, then that investment shall continue to be authorized by this subsection, and none of the percentage or other limitation on investments set forth in this subsection shall be construed to require the State Treasurer to subsequently dispose of the investment or fail to honor any contractual commitments as a result of changes in market values, ratings, or other investment qualifications. For purposes of computing market values on which percentage limitations on investments in this subsection are based, all investments shall be valued as of the last date of the most recent fiscal quarter.

- (1) Investments authorized by G.S. 147-69.1(c)(1)-(7).

- (2) General obligations of other states of the United States.

- (3) General obligations of cities, counties and special districts in North Carolina.

- (4) Obligations of any company, other organization or legal entity incorporated or otherwise created or located within or outside the United States, including obligations that are convertible into equity securities, if the obligations bear

one of the four highest ratings of at least one nationally recognized rating service when acquired.

(5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.

(6) Asset-backed securities (whether considered debt or equity) provided they bear ratings by nationally recognized rating services as provided in G.S. 147-69.2(b)(4).

(6a) In addition to the limitations and requirements with respect to the investments of the Retirement Systems set forth in this subsection, the State Treasurer shall select investments of the assets of the Retirement Systems such that investments made pursuant to subdivisions (b)(1) through (6) of this section shall at all times equal or exceed twenty percent (20%) of the market value of all invested assets of the Retirement Systems.

(6b) Investments pursuant to subdivisions (b)(1) through (6) of this section may be made directly by the State ~~Treasurer~~ Treasurer, through investment companies registered under the Investment Company Act of 1940, individual, common, or collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by subdivisions (1) through (6) of this subsection, or through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by subdivisions (b)(1) through (6) of this section, provided for each indirect investment, the investment manager has assets under management of at least one hundred million dollars (\$100,000,000).

...."

SECTION 3.(b) G.S. 147-77 reads as rewritten:

"§ 147-77. Daily deposit of funds to credit of Treasurer.

All funds belonging to the State of North Carolina, in the hands of any head of any department of the State which collects revenue for the State in any form whatsoever, and every institution, agency, officer, employee, or representative of the State or any agency, department, division or commission thereof, except officers and the clerks of the Supreme Court and Court of Appeals, collecting or receiving any funds or money belonging to the State of North Carolina, shall daily deposit the same in some bank, or trust company, selected or designated by the State Treasurer, in the name of the State Treasurer, at noon, or as near thereto as may be, and shall report the same daily to said ~~Treasurer~~ Treasurer. ~~Provided that the~~ The State Treasurer may authorize exemptions from the provisions of this section so long as funds are deposited and reported pursuant to the provisions of this section at least once a week and, in addition, so long as funds are deposited and reported pursuant to the provisions of this section whenever as much as ~~two hundred fifty dollars (\$250.00)~~ five thousand dollars (\$5,000) has been collected and ~~received~~ received. ~~Provided, that the~~ Each State agency that has custody of funds less than five thousand dollars (\$5,000) shall provide adequate safekeeping of such funds. The Treasurer may refund the amount of any bad checks which have been returned to the department by the Treasurer when the same have not been collected after 30 days' trial."

SECTION 4. G.S. 135-1(20) reads as rewritten:

"(20) "Retirement" under this ~~Chapter~~ Chapter, except as otherwise provided, means the commencement of monthly retirement benefits along with termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service. A retirement allowance under the provisions of this Chapter may only be granted upon retirement of a member. In order for a member's retirement to

1 become effective in any month, the member must perform no work for an
2 employer, including part-time, temporary, substitute, or contractor work, at
3 any time during the six months immediately following the effective date of
4 retirement. For purposes of this subdivision, working as a member of a
5 school board, board of trustees of a community college, board of trustees of
6 any constituent institution of The University of North Carolina, as an unpaid
7 bona fide volunteer in a local school administrative unit, or as an unpaid
8 bona fide volunteer guardian ad litem in the guardian ad litem program shall
9 not be considered ~~service-service or work, and volunteering in positions~~
10 normally designated as unpaid bona fide volunteer positions during the six
11 months immediately following the effective date of retirement shall not be
12 considered service. A member who is a full-time faculty member of The
13 University of North Carolina may effect a retirement allowance under this
14 Chapter, notwithstanding the six-month requirement above, provided the
15 member immediately enters the University's Phased Retirement Program for
16 Tenured Faculty as that program existed on May 25, 2011."

17 **SECTION 5.(a)** G.S. 135-8(f) is amended by adding a new subdivision to read:

18 "(4) In conjunction with the employee and employer contributions required under
19 this section, the Board of Trustees shall direct employers to submit such
20 information on a monthly basis as is necessary for proper administration of
21 the Retirement System, actuarial valuation, and reporting under accounting
22 standards set forth by the Governmental Accounting Standards Board of the
23 Financial Accounting Foundation. Submission of such information by an
24 employer to the Retirement System constitutes a certification of its
25 accuracy."

26 **SECTION 5.(b)** G.S. 128-30(g) is amended by adding a new subdivision to read:

27 "(4) In conjunction with the employee and employer contributions required under
28 this section, the Board of Trustees shall direct employers to submit such
29 information on a monthly basis as is necessary for proper administration of
30 the Retirement System, actuarial valuation, and reporting under accounting
31 standards set forth by the Governmental Accounting Standards Board of the
32 Financial Accounting Foundation. Submission of such information by an
33 employer to the Retirement System constitutes a certification of its
34 accuracy."

35 **SECTION 6.(a)** G.S. 135-8(f)(3) reads as rewritten:

36 "(3) In the event the employee or employer contributions required under this
37 section are not received by the date set by the Board of Trustees, the Board
38 shall assess the employer with a penalty, in lieu of interest, of 1% per month
39 with a minimum penalty of twenty-five dollars (\$25.00). The Board may
40 waive one penalty per employer every five years if the Board finds that the
41 employer has consistently demonstrated good-faith efforts to comply with
42 the set deadline. If within 90 days after request therefor by the Board any
43 employer shall not have provided the System with the records and other
44 information required hereunder or if the full accrued amount of the
45 contributions provided for under this section due from members employed
46 by an employer or from an employer other than the State shall not have been
47 received by the System from the chief fiscal officer of such employer within
48 30 days after the last due date as herein provided, then, notwithstanding
49 anything herein or in the provisions of any other law to the contrary, upon
50 notification by the Board to the State Treasurer as to the default of such
51 employer as herein provided, any distributions which might otherwise be

made to such employer from any funds of the State shall be withheld from such employer until notice from the Board to the State Treasurer that such employer is no longer in default.

In the event that an employer fails to submit payment of any required contributions or payments to the Retirement Systems Division, other than the 1% payment provided for in the first paragraph of this subdivision, within 90 days after the date set by the Board of Trustees, the Board shall notify the State Treasurer of its intent to collect the delinquent contributions and other payments due to the Retirement Systems Division and request an interception of State appropriations due to the participating employer. Upon such notification by the Board of Trustees to the State Treasurer and the Office of State Budget and Management as to the default of the employer, the Office of State Budget and Management shall withhold from any State appropriation due to that employer an amount equal to the sum of all delinquent contributions and other debts due to the Retirement Systems Division and shall transmit that amount to the Retirement Systems Division."

SECTION 6.(b) G.S. 128-30(g)(3) reads as rewritten:

"(3) In the event the employee or employer contributions required under this section are not received by the date set by the Board of Trustees, the Board shall assess the employer with a penalty, in lieu of interest, of 1% per month with a minimum penalty of twenty-five dollars (\$25.00). The Board may waive one penalty per employer every five years if the Board finds that the employer has consistently demonstrated good-faith efforts to comply with the set deadline. If within 90 days after request therefor by the Board any employer shall not have provided the System with the records and other information required hereunder or if the full accrued amount of the contributions provided for under this section due from members employed by an employer or from an employer shall not have been received by the System from the chief fiscal officer of such employer within 30 days after the last due date as herein provided, then, notwithstanding anything herein or in the provisions of any other law to the contrary, upon notification by the Board to the State Treasurer as to the default of such employer as herein provided, any distributions which might otherwise be made to such employer, or the municipality or county of which such employer is an integral part, from any funds of the State or any funds collected by the State shall be withheld from such employer until notice from the Board to the State Treasurer that such employer is no longer in default.

In the event that an employer fails to submit payment of any required contributions or payments to the Retirement Systems Division, other than the 1% payment provided for in the first paragraph of this subdivision, within 90 days after the date set by the Board of Trustees, the Board shall notify the State Treasurer of its intent to collect the delinquent contributions and other payments due to the Retirement Systems Division and request an interception of State appropriations due to the participating employer. Upon such notification by the Board of Trustees to the State Treasurer and the Office of State Budget and Management as to the default of the employer, the Office of State Budget and Management shall withhold from any State appropriation due to that employer an amount equal to the sum of all delinquent contributions and other debts due to the Retirement Systems

1 Division and shall transmit that amount to the Retirement Systems
2 Division."

3 **SECTION 6.(c)** G.S. 115C-438 reads as rewritten:

4 **"§ 115C-438. Provision for disbursement of State money.**

5 The deposit of money in the State treasury to the credit of local school administrative units
6 shall be made in monthly installments, and additionally as necessary, at such time and in such a
7 manner as may be most convenient for the operation of the public school system. Before an
8 installment is credited, the school finance officer shall certify to the State Board of Education
9 the expenditures to be made by the local school administrative unit from the State Public
10 School Fund during the month. This certification shall be filed on or before the fifth day
11 following the end of the month preceding the period in which the expenditures will be made.
12 The State Board of Education shall determine whether the moneys requisitioned are due the
13 local school administrative unit, and upon determining the amount due, shall cause the requisite
14 amount to be credited to the local school administrative unit. Upon receiving notice from the
15 State Treasurer of the amount placed to the credit of the local school administrative unit, the
16 finance officer may issue State warrants up to the amount so certified.

17 Upon notification by the Board of Trustees of the Teachers' and State Employees'
18 Retirement System to the State Treasurer and the Office of State Budget and Management as to
19 the default of the local school administrative unit, the State Board of Education shall withhold
20 from any State appropriation due to the local school administrative unit an amount equal to the
21 sum of all delinquent contributions and payments due to the Retirement Systems Division and
22 shall transmit that amount to the Retirement Systems Division.

23 The State Board of Education may withhold money for payment of salaries for
24 administrative officers of local school administrative units if any report required to be filed
25 with State school authorities is more than 30 days overdue. The State Board of Education shall
26 withhold money for payment of salaries for the superintendent, finance officer, and all other
27 administrative officers charged with providing payroll information pursuant to
28 G.S. 115C-12(18), if the local school administrative unit fails to provide the payroll
29 information to the State Board in a timely fashion and substantially in accordance with the
30 standards set by the State Board. The State Board of Education shall also withhold money used
31 for payment of salaries for the superintendent, transportation director, and all other
32 administrative officers or employees charged by the local board of education or the local
33 superintendent with implementing the Transportation Information Management System,
34 pursuant to G.S. 115C-240(d), if the State Board finds that a local school administrative unit is
35 not progressing in good faith and is not using its best efforts to implement the Transportation
36 Information Management System.

37 Money in the State Public School Fund and State bond moneys shall be released only on
38 warrants drawn on the State Treasurer, signed by such local official as may be required by the
39 State Board of Education."

40 **SECTION 7.** G.S.150B-21.3A is amended by adding a new subsection to read:

41 "(e1) Rules to Protect Inchoate or Accrued Rights of Retirement Systems Members. –
42 Rules deemed by the Boards of Trustees established under G.S. 128-28 and G.S. 135-6 to
43 protect inchoate or accrued rights of members of the Retirement Systems administered by the
44 State Treasurer shall not expire as provided by this section. The Commission shall report
45 annually to the Committee on any rules that do not expire pursuant to this subsection."

46 **SECTION 8.** G.S. 128-21 is amended by adding two new subdivisions to read:

47 "(10a) "Regularly employed" shall mean employment in a position requiring not
48 less than 1,000 hours of work in a calendar year, provided that the term shall
49 not include any individuals whose employment is considered "temporary
50 employment" as defined in subdivision (10b) of this section.

1 "(10b) "Temporary employment" shall mean employment for a limited term,
2 normally not to exceed three to six months and in no case to exceed 12
3 consecutive months, for an employer as defined in subdivision (11) of this
4 section. The term shall also include individuals whose employment for an
5 employer as defined in subdivision (11) of this section occurs as a result of
6 the individual's designation by the city council as an interim city manager, as
7 provided in G.S. 160A-150, or as a result of the individual's designation by
8 the board of commissioners as an interim county manager, as provided in
9 G.S. 153A-84."

10 **SECTION 9.(a)** G.S. 135-91(c) reads as rewritten:

11 "(c) The Department of State Treasurer and the Board of Trustees shall have full power
12 and authority to adopt rules and regulations for the administration of the Plan, provided they are
13 not inconsistent with the provisions of this Article. The Department of State Treasurer and
14 Board of Trustees may appoint those agents, contractors, employees and committees as they
15 deem advisable to carry out the terms and conditions of the Plan. In order to promote
16 achievement of long-term investment objectives and to retain key public employees with
17 investment functions, the Board of Trustees shall authorize the State Treasurer to establish
18 market-oriented compensation plans, including salaries and performance-related bonuses, for
19 employees possessing specialized skills or knowledge necessary for the proper administration
20 of the Plan, who shall be exempt from the classification and compensation rules established by
21 the Office of State Human Resources. The design and administration of those compensation
22 plans shall be based on compensation studies conducted by a nationally recognized firm
23 specializing in public fund investment compensation. The compensation and other associated
24 employee benefits shall be apportioned directly from the Plan."

25 **SECTION 9.(b)** G.S. 126-5 is amended by adding a new subsection to read:

26 "(c13) Except as to G.S. 126-13, 126-14, 126-14.1, and the provisions of Articles 6, 7, 14,
27 15, and 16 of this Chapter, the provisions of this Chapter shall not apply to employees of the
28 Department of State Treasurer possessing specialized skills or knowledge necessary for the
29 proper administration of the Supplemental Retirement Plans and compensated pursuant to
30 G.S. 135-91(c)."

31 **SECTION 10.(a)** G.S. 135-5 is amended by adding a new subsection to read:

32 "(m4) A member who has contributions in this System and is not eligible for a retirement
33 benefit as set forth in G.S. 135-5(a) shall be paid his contributions in a lump sum as provided in
34 G.S. 135-5(f) by April 1 of the calendar year following the later of the calendar year in which
35 the member (i) attains seventy and one half-years of age or (ii) has ceased to be a teacher or
36 State employee except by death. If such member fails, following reasonable notification, to
37 complete a refund application by such required date, the requirement that a refund application
38 be completed shall be waived and the refund shall be paid without a refund application as a
39 single lump sum payment with applicable required North Carolina and federal income taxes
40 withheld. For purposes of this subsection, a member shall not be considered to have ceased to
41 be a teacher or state employee if the member is actively contributing to the Consolidated
42 Judicial Retirement System, Local Governmental Employees' Retirement System, or
43 Legislative Retirement System. A lump sum refund shall not be paid under this subsection if
44 the member is actively contributing to the Consolidated Judicial Retirement System, Local
45 Governmental Employees' Retirement System, or Legislative Retirement System.

46 A member who has contributions in this System and is eligible for a retirement benefit as
47 set forth in G.S. 135-5(a) shall begin to receive a monthly benefit no later than April 1 of the
48 calendar year following the later of the calendar year in which the member (i) attains seventy
49 and one half-years of age or (ii) has ceased to be a teacher or state employee except by death. If
50 such member fails, following reasonable notification, to complete the retirement process as set
51 forth under Chapter 135 of the General Statutes by such required beginning date, the

1 requirement that a retirement application and an election of payment plan form be completed
2 shall be waived and the retirement allowance shall be paid as a single life annuity. The single
3 life annuity shall be calculated and processed in accordance with G.S. 135-5. For purposes of
4 this subsection, a member shall not be considered to have ceased to be a teacher or State
5 employee if the member is actively contributing to the Consolidated Judicial Retirement
6 System, Local Governmental Employees' Retirement System, or Legislative Retirement
7 System. A retirement benefit shall not be paid under this subsection if the member is actively
8 contributing to the Consolidated Judicial Retirement System, Local Governmental Employees'
9 Retirement System, or Legislative Retirement System."

10 **SECTION 10.(b)** G.S. 128-27 is amended by adding a new subsection to read:

11 "(m3) A member who has contributions in this System and is not eligible for a retirement
12 benefit as set forth in G.S. 128-27(b21) shall be paid his contributions in a lump sum as
13 provided in G.S. 128-27(f) by April 1 of the calendar year following the later of the calendar
14 year in which the member (i) attains seventy and one half-years of age or (ii) has ceased to be
15 an employee except by death. If such member fails, following reasonable notification, to
16 complete a refund application by such required date, the requirement that a refund application
17 be completed shall be waived and the refund shall be paid without a refund application as a
18 single lump sum payment with applicable required North Carolina and federal income taxes
19 withheld. For purposes of this subsection, a member shall not be considered to have ceased to
20 be an employee if the member is actively contributing to the Teachers' and State Employees'
21 Retirement System, Consolidated Judicial Retirement System, or Legislative Retirement
22 System. A lump sum refund shall not be paid under this subsection if the member is actively
23 contributing to the Teachers' and State Employees' Retirement System, Consolidated Judicial
24 Retirement System, or Legislative Retirement System."

25 A member who has contributions in this System and is eligible for a retirement benefit as
26 set forth in G.S. 128-27(21) shall begin to receive a monthly benefit no later than April 1 of the
27 calendar year following the later of the calendar year in which the member (i) attains seventy
28 and one half-years of age or (ii) has ceased to be an employee except by death. If such member
29 fails, following reasonable notification, to complete the retirement process as set forth under
30 Chapter 128 of the General Statutes by such required beginning date, the requirement that a
31 retirement application and an election of payment plan form be completed shall be waived and
32 the retirement allowance shall be paid as a single life annuity. The single life annuity shall be
33 calculated and processed in accordance with G.S. 128-27(b21). For purposes of this subsection,
34 a member shall not be considered to have ceased to be an employee if the member is actively
35 contributing to the Teachers' and State Employees' Retirement System, Consolidated Judicial
36 Retirement System, or Legislative Retirement System. A retirement benefit shall not be paid
37 under this subsection if the member is actively contributing to the Teachers' and State
38 Employees' Retirement System, Consolidated Judicial Retirement System, or Legislative
39 Retirement System."

40 **SECTION 10.(c)** G.S. 135-74 is amended by adding a new subsection to read:

41 "(c1) A member who has contributions in this System and is not eligible for a retirement
42 benefit as set forth in G.S. 135-58(a6) shall be paid his contributions in a lump sum as provided
43 in G.S. 135-62 by April 1 of the calendar year following the later of the calendar year in which
44 the member (i) attains seventy and one half-years of age or (ii) has ceased to be a judge, district
45 attorney, public defender, the Director of Indigent Defense Services, or clerk of superior court
46 as provided in G.S. 135-53, except by death. If such member fails, following reasonable
47 notification, to complete a refund application by such required date, the requirement that a
48 refund application be completed shall be waived and the refund shall be paid without a refund
49 application as a single lump sum payment with applicable required North Carolina and federal
50 income taxes withheld. For purposes of this subsection, a member shall not be considered to
51 have ceased to be a judge, district attorney, public defender, the Director of Indigent Defense

1 Services, or clerk of superior court as provided in G.S. 135-53 if the member is actively
2 contributing to the Teachers' and State Employees' Retirement System, Local Governmental
3 Employees' Retirement System, or Consolidated Judicial Retirement System. A lump sum
4 refund shall not be paid under this subsection if the member is actively contributing to the
5 Teachers' and State Employees' Retirement System, Local Governmental Employees'
6 Retirement System, or Consolidated Judicial Retirement System.

7 A member who has contributions in this System and is eligible for a retirement benefit as
8 set forth in G.S. 120-4.21 shall begin to receive a monthly benefit no later than April 1 of the
9 calendar year following the later of the calendar year in which the member (i) attains seventy
10 and one half-years of age or (ii) has ceased to be a judge, district attorney, public defender, the
11 Director of Indigent Defense Services, or clerk of superior court as provided in G.S. 135-53,
12 except by death. If such member fails, following reasonable notification, to complete the
13 retirement process as set forth under Chapter 120 of the General Statutes by such required
14 beginning date, the requirement that a retirement application and an election of payment plan
15 form be completed shall be waived and the retirement allowance shall be paid as a single life
16 annuity. The single life annuity shall be calculated and processed in accordance with
17 G.S. 120-4.21. For purposes of this subsection, a member shall not be considered to have
18 ceased to be a judge, district attorney, public defender, the Director of Indigent Defense
19 Services, or clerk of superior court as provided in G.S. 135-53 if the member is actively
20 contributing to the Teachers' and State Employees' Retirement System, Local Governmental
21 Employees' Retirement System, or Consolidated Judicial Retirement System. A retirement
22 benefit shall not be paid under this subsection if the member is actively contributing to the
23 Teachers' and State Employees' Retirement System, Local Governmental Employees'
24 Retirement System, or Consolidated Judicial Retirement System."

25 **SECTION 10.(d)** G.S. 120-4.31 is amended by adding a new subsection to read:

26 "(c1) A member who has contributions in this System and is not eligible for a retirement
27 benefit as set forth in G.S. 120-4.21 shall be paid his contributions in a lump sum as provided
28 in G.S. 120-4.25 by April 1 of the calendar year following the later of the calendar year in
29 which the member (i) attains seventy and one half-years of age or (ii) has ceased to be a
30 member of the General Assembly, except by death. If such member fails, following reasonable
31 notification, to complete a refund application by such required date, the requirement that a
32 refund application be completed shall be waived and the refund shall be paid without a refund
33 application as a single lump sum payment with applicable required North Carolina and federal
34 income taxes withheld. For purposes of this subsection, a member shall not be considered to
35 have ceased to be a member of the General Assembly if the member is actively contributing to
36 the Teachers' and State Employees' Retirement System, Local Governmental Employees'
37 Retirement System, or Consolidated Judicial Retirement System. A lump sum refund shall not
38 be paid under this subsection if the member is actively contributing to the Teachers' and State
39 Employees' Retirement System, Local Governmental Employees' Retirement System, or
40 Consolidated Judicial Retirement System.

41 A member who has contributions in this System and is eligible for a retirement benefit as
42 set forth in G.S. 120-4.21 shall begin to receive a monthly benefit no later than April 1 of the
43 calendar year following the later of the calendar year in which the member (i) attains seventy
44 and one half-years of age or (ii) has ceased to be a member of the General Assembly, except by
45 death. If such member fails, following reasonable notification, to complete the retirement
46 process as set forth under Chapter 120 of the General Statutes by such required beginning date,
47 the requirement that a retirement application and an election of payment plan form be
48 completed shall be waived and the retirement allowance shall be paid as a single life annuity.
49 The single life annuity shall be calculated and processed in accordance with G.S. 120-4.21. For
50 purposes of this subsection, a member shall not be considered to have ceased to be a member of
51 the General Assembly if the member is actively contributing to the Teachers' and State

1 Employees' Retirement System, Local Governmental Employees' Retirement System, or
2 Consolidated Judicial Retirement System. A retirement benefit shall not be paid under this
3 subsection if the member is actively contributing to the Teachers' and State Employees'
4 Retirement System, Local Governmental Employees' Retirement System, or Consolidated
5 Judicial Retirement System."

6 **SECTION 11.(a)** G.S. 135-5(l) reads as rewritten:

7 "(l) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan
8 (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is
9 separate and apart from the Retirement System and under which the members of the Retirement
10 System shall participate and be eligible for group life insurance benefits. Upon receipt of proof,
11 satisfactory to the Board of Trustees in their capacity as trustees under the Group Life
12 Insurance Plan, of the death, in service, of a member who had completed at least one full
13 calendar year of membership in the Retirement System, there shall be paid to such person as he
14 shall have nominated by electronic submission prior to completing 10 years of service in a form
15 approved by the Board of Trustees or by written designation duly acknowledged and filed with
16 the Board of Trustees, if such person is living at the time of the member's death, otherwise to
17 the member's legal representatives, a death benefit. Such death benefit shall be equal to ~~the~~
18 ~~greater of:~~

19 (1) ~~The compensation on which contributions were made by the member during~~
20 ~~the calendar year preceding the year in which his death occurs, or~~

21 (2) ~~The greatest compensation on which contributions were made by the~~
22 ~~member during a 12-month period of service within the 24-month period of~~
23 ~~service ending on the last day of the month preceding the month in which his~~
24 ~~last day of actual service occurs;~~

25 (3), (4) ~~Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2.~~
26 ~~subject to a minimum of twenty-five thousand dollars (\$25,000) and to a maximum of fifty~~
27 ~~thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the~~
28 ~~payment of the member's accumulated contributions under the System on his death pursuant to~~
29 ~~the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be~~
30 ~~deemed to be in service at the date of his death if his death occurs within 180 days from the last~~
31 ~~day of his actual service.~~

32 The death benefit provided in this subsection (l) shall not be payable, notwithstanding the
33 member's compliance with all the conditions set forth in the preceding paragraph, if his death
34 occurs

35 (1) After December 31, 1968 and after he has attained age 70; or

36 (2) After December 31, 1969 and after he has attained age 69; or

37 (3) After December 31, 1970 and after he has attained age 68; or

38 (4) After December 31, 1971 and after he has attained age 67; or

39 (5) After December 31, 1972 and after he has attained age 66; or

40 (6) After December 31, 1973 and after he has attained age 65; or

41 (7) After December 31, 1978, but before January 1, 1987, and after he has
42 attained age 70.

43 Notwithstanding the above provisions, the death benefit shall be payable on account of the
44 death of any member who died or dies on or after January 1, 1974, but before January 1, 1979,
45 after attaining age 65, if he or she had not yet attained age 65, if he or she had not yet attained
46 age 66, was at the time of death completing the work year for those individuals under specific
47 contract, or during the fiscal year for those individuals not under specific contract, in which he
48 or she attained 65, and otherwise met all conditions for payment of the death benefit.

49 Notwithstanding the above provisions, the Board of Trustees may and is specifically
50 authorized to provide the death benefit according to the terms and conditions otherwise
51 appearing in this Plan in the form of group life insurance, either (i) by purchasing a contract or

contracts of group life insurance with any life insurance company or companies licensed and authorized to transact business in this State for the purpose of insuring the lives of members in service, or (ii) by establishing a separate trust fund qualified under Section 501(c)(9) of the Internal Revenue Code of 1954, as amended, for such purpose. To that end the Board of Trustees is authorized, empowered and directed to investigate the desirability of utilizing group life insurance by either of the foregoing methods for the purpose of providing the death benefit. If a separate trust fund is established, it shall be operated in accordance with rules and regulations adopted by the Board of Trustees and all investment earnings on the trust fund shall be credited to such fund.

In administration of the death benefit the following shall apply:

- (1) For the purpose of determining eligibility only, in this subsection "calendar year" shall mean any period of 12 consecutive months or, if less, the period covered by an annual contract of employment. For all other purposes in this subsection "calendar year" shall mean the 12 months beginning January 1 and ending December 31.
- (2) Last day of actual service shall be:
 - a. When employment has been terminated, the last day the member actually worked.
 - b. When employment has not been terminated, the date on which an absent member's sick and annual leave expire, unless he is on approved leave of absence and is in service under the provisions of G.S. 135-4(h).
 - c. When a participant's employment is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, and the participant does not return immediately after that service to employment with a covered employer in this System, the date on which the participant was first eligible to be separated or released from his or her involuntary military service.
- (3) For a period when a member is on leave of absence, his status with respect to the death benefit will be determined by the provisions of G.S. 135-4(h).
- (4) A member on leave of absence from his position as a teacher or State employee for the purpose of serving as a member or officer of the General Assembly shall be deemed to be in service during sessions of the General Assembly and thereby covered by the provisions of the death benefit. The amount of the death benefit for such member shall be ~~the equivalent of the salary to which the member would have been entitled as a teacher or State employee during the 12-month period immediately prior to the month in which death occurred, not to be less than twenty five thousand dollars (\$25,000) nor to exceed fifty thousand dollars (\$50,000).~~

The provisions of the Retirement System pertaining to Administration, G.S. 135-6, and management of funds, G.S. 135-7, are hereby made applicable to the Plan.

A member who is a beneficiary of the Disability Income Plan provided for in Article 6 of this Chapter, or a member who is in receipt of Workers' Compensation during the period for which he or she would have otherwise been eligible to receive short-term benefits or extended short-term benefits as provided in G.S. 135-105 and dies on or after 181 days from the last day of his or her actual service but prior to the date the benefits as provided in G.S. 135-105 would have ended, shall be eligible for group life insurance benefits as provided in this subsection, notwithstanding that the member is no longer an employee or teacher or that the member's death occurs after the eligibility period after active service. ~~The basis of the death benefit~~

1 payable hereunder shall be the higher of the death benefit computed as above or a death benefit
2 based on compensation used in computing the benefit payable under G.S. 135-105 and
3 G.S. 135-106, as may be adjusted for percentage post-disability increases, all subject to the
4 maximum dollar limitation as provided above. The amount of the death benefit for that member
5 shall be fifty thousand dollars (\$50,000). A member in receipt of benefits from the Disability
6 Income Plan under the provisions of G.S. 135-112 whose right to a benefit accrued under the
7 former Disability Salary Continuation Plan shall not be covered under the provisions of this
8 paragraph.

9 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this
10 subsection, of the death of a retired member of the Retirement System on or after July 1, 1988,
11 but before January 1, 1999, there shall be paid a death benefit to the surviving spouse of the
12 deceased retired member or to the deceased retired member's legal representative if not
13 survived by a spouse; provided the retired member has elected, when first eligible, to make, and
14 has continuously made, in advance of his death required contributions as determined by the
15 Board of Trustees on a fully contributory basis, through retirement allowance deductions or
16 other methods adopted by the Board of Trustees, to a group death benefit trust fund
17 administered by the Board of Trustees separate and apart from the Retirement System's
18 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum
19 payment in the amount of five thousand dollars (\$5,000) upon the completion of twenty-four
20 months of contributions required under this subsection. Should death occur before the
21 completion of twenty-four months of contributions required under this subsection, the deceased
22 retired member's surviving spouse or legal representative if not survived by a spouse shall be
23 paid the sum of the retired member's contributions required by this subsection plus interest to
24 be determined by the Board of Trustees.

25 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this
26 subsection, of the death of a retired member of the Retirement System on or after January 1,
27 1999, but before July 1, 2004, there shall be paid a death benefit to the surviving spouse of the
28 deceased retired member or to the deceased retired member's legal representative if not
29 survived by a spouse; provided the retired member has elected, when first eligible, to make, and
30 has continuously made, in advance of his death required contributions as determined by the
31 Board of Trustees on a fully contributory basis, through retirement allowance deductions or
32 other methods adopted by the Board of Trustees, to a group death benefit trust fund
33 administered by the Board of Trustees separate and apart from the Retirement System's
34 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum
35 payment in the amount of six thousand dollars (\$6,000) upon the completion of 24 months of
36 contributions required under this subsection. Should death occur before the completion of 24
37 months of contributions required under this subsection, the deceased retired member's surviving
38 spouse or legal representative if not survived by a spouse shall be paid the sum of the retired
39 member's contributions required by this subsection plus interest to be determined by the Board
40 of Trustees.

41 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this
42 subsection, of the death of a retired member of the Retirement System on or after July 1, 2004,
43 but before July 1, 2007, there shall be paid a death benefit to the surviving spouse of the
44 deceased retired member or to the deceased retired member's legal representative if not
45 survived by a spouse; provided the retired member has elected, when first eligible, to make, and
46 has continuously made, in advance of his death required contributions as determined by the
47 Board of Trustees on a fully contributory basis, through retirement allowance deductions or
48 other methods adopted by the Board of Trustees, to a group death benefit trust fund
49 administered by the Board of Trustees Fund and Pension Accumulation Fund. This death
50 benefit shall be a lump-sum payment in the amount of nine thousand dollars (\$9,000) upon the
51 completion of 24 months of contributions required under this subsection. Should death occur

1 before the completion of 24 months of contributions required under this subsection, the
2 deceased retired member's surviving spouse or legal representative if not survived by a spouse
3 shall be paid the sum of the retired member's contributions required by this subsection plus
4 interest to be determined by the Board of Trustees.

5 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this
6 subsection, of the death of a retired member of the Retirement System on or after July 1, 2007,
7 but before January 1, 2015, there shall be paid a death benefit to the surviving spouse of the
8 deceased retired member or to the deceased retired member's legal representative if not
9 survived by a spouse; provided the retired member has elected, when first eligible, to make, and
10 has continuously made, in advance of his death required contributions as determined by the
11 Board of Trustees on a fully contributory basis, through retirement allowance deductions or
12 other methods adopted by the Board of Trustees, to a group death benefit trust fund
13 administered by the Board of Trustees Fund and Pension Accumulation Fund. This death
14 benefit shall be a lump-sum payment in the amount of ten thousand dollars (\$10,000) upon the
15 completion of 24 months of contributions required under this subsection. Should death occur
16 before the completion of 24 months of contributions required under this subsection, the
17 deceased retired member's surviving spouse or legal representative if not survived by a spouse
18 shall be paid the sum of the retired member's contributions required by this subsection plus
19 interest to be determined by the Board of Trustees.

20 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this
21 subsection, of the death of a retired member of the Retirement System on or after January 1,
22 2015, there shall be paid a death benefit to the person or persons designated by the member or,
23 if the member has not designated a beneficiary, to the surviving spouse of the deceased retired
24 member or, if not survived by a designated beneficiary or spouse, to the deceased retired
25 member's legal representative; provided the retired member has elected, when first eligible, to
26 make, and has continuously made, in advance of his death required contributions as determined
27 by the Board of Trustees on a fully contributory basis, through retirement allowance deductions
28 or other methods adopted by the Board of Trustees, to a group death benefit trust fund
29 administered by the Board of Trustees Fund and Pension Accumulation Fund. This death
30 benefit shall be a lump-sum payment in the amount of ten thousand dollars (\$10,000) upon the
31 completion of 24 months of contributions required under this subsection. Should death occur
32 before the completion of 24 months of contributions required under this subsection, the
33 deceased retired member's designated beneficiary or beneficiaries, or surviving spouse if there
34 is no surviving beneficiary, or legal representative if not survived by a designated beneficiary
35 or spouse, shall be paid the sum of the retired member's contributions required by this
36 subsection plus interest to be determined by the Board of Trustees."

37 **SECTION 11.(b)** G.S. 128-27(l) reads as rewritten:

38 "(l) Death Benefit Plan. – The provisions of this subsection shall become effective for
39 any employer only after an agreement to that effect has been executed by the employer and the
40 Director of the Retirement System. There is hereby created a Group Life Insurance Plan
41 (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is
42 separate and apart from the Retirement System and under which the members of the Retirement
43 System shall participate and be eligible for group life insurance benefits. Upon receipt of proof,
44 satisfactory to the Board of Trustees in their capacity as trustees under the Group Life
45 Insurance Plan, of the death, in service, of a member who had completed at least one full
46 calendar year of membership in the Retirement System, there shall be paid to such person as he
47 shall have nominated by electronic submission prior to completing 10 years of service in a form
48 approved by the Board of Trustees or by written designation duly acknowledged and filed with
49 the Board of Trustees, if such person is living at the time of the member's death, otherwise to
50 the member's legal representatives, a death benefit. Such death benefit shall be equal to the
51 greater of:

- 1 (1) ~~The compensation on which contributions were made by the member during~~
2 ~~the calendar year preceding the year in which his death occurs, or~~
3 (2) ~~The greatest compensation on which contributions were made by the~~
4 ~~member during a 12-month period of service within the 24-month period of~~
5 ~~service ending on the last day of the month preceding the month in which his~~
6 ~~last day of actual service occurs;~~

7 (3) ~~Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2;~~
8 ~~subject to a minimum of twenty-five thousand dollars (\$25,000) and a maximum of fifty~~
9 ~~thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the~~
10 ~~payment of the member's accumulated contributions under the System on his death pursuant to~~
11 ~~the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be~~
12 ~~deemed to be in service at the date of his death if his death occurs within 180 days from the last~~
13 ~~day of his actual service.~~

14 The death benefit provided in this subsection shall not be payable, notwithstanding the
15 member's compliance with all the conditions set forth in the preceding paragraph, if his death
16 occurs

- 17 (1) After June 30, 1969 and after he has attained age 70; or
18 (2) After December 31, 1969 and after he has attained age 69; or
19 (3) After December 31, 1970 and after he has attained age 68; or
20 (4) After December 31, 1971 and after he has attained age 67; or
21 (5) After December 31, 1972 and after he has attained age 66; or
22 (6) After December 31, 1973 and after he has attained age 65; or
23 (7) After December 31, 1978, but before January 1, 1987, and after he has
24 attained age 70.

25 Notwithstanding the above provisions, the death benefit shall be payable on account of the
26 death of any member who died or dies on or after January 1, 1974, but before January 1, 1979,
27 after attaining age 65, if he or she had not yet attained age 65, if he or she had not yet attained
28 age 66, was at the time of death completing the work year for those individuals under specific
29 contract, or during the fiscal year for those individuals not under specific contract, in which he
30 or she attained age 65, and otherwise met all conditions for payment of the death benefit.

31 Notwithstanding the above provisions, the Board of Trustees may and is specifically
32 authorized to provide the death benefit according to the terms and conditions otherwise
33 appearing in this Plan in the form of group life insurance, either (i) by purchasing a contract or
34 contracts of group life insurance with any life insurance company or companies licensed and
35 authorized to transact business in this State for the purpose of insuring the lives of members in
36 service, or (ii) by establishing a separate trust fund qualified under section 501(c)(9) of the
37 Internal Revenue Code of 1954, as amended, for such purpose. To that end the Board of
38 Trustees is authorized, empowered and directed to investigate the desirability of utilizing group
39 life insurance by either of the foregoing methods for the purpose of providing the death benefit.
40 If a separate trust fund is established, it shall be operated in accordance with rules and
41 regulations adopted by the Board of Trustees and all investment earnings on the trust fund shall
42 be credited to such fund.

43 In administration of the death benefit the following shall apply:

- 44 (1) For the purpose of determining eligibility only, in this subsection "calendar
45 year" shall mean any period of 12 consecutive months. For all other
46 purposes in this subsection "calendar year" shall mean the 12 months
47 beginning January 1 and ending December 31.
48 (2) Last day of actual service shall be:
49 a. When employment has been terminated, the last day the member
50 actually worked.

- b. When employment has not been terminated, the date on which an absent member's sick and annual leave expire.
- c. When a participant's employment is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, and the participant does not return immediately after that service to employment with a covered employer in this System, the date on which the participant was first eligible to be separated or released from his or her involuntary military service.

(3) For a period when a member is on leave of absence, his status with respect to the death benefit will be determined by the provisions of G.S. 128-26(g).

(4) A member on leave of absence from his position as a local governmental employee for the purpose of serving as a member or officer of the General Assembly shall be deemed to be in service during sessions of the General Assembly and thereby covered by the provisions of the death benefit, if applicable. The amount of the death benefit for such member shall be the equivalent of the salary to which the member would have been entitled as a local governmental employee during the 12-month period immediately prior to the month in which death occurred, not to be less than twenty-five thousand dollars (\$25,000) nor to exceed fifty thousand dollars (\$50,000).

The provisions of the Retirement System pertaining to administration, G.S. 128-28, and management of funds, G.S. 128-29, are hereby made applicable to the Plan."

SECTION 12.(a) G.S. 135-3(8) is amended by adding a new sub-subdivision to read:

"f. Should a beneficiary who retired on an early or service retirement allowance under this Chapter be reemployed by, or otherwise engaged to perform services for, an employer participating in the Retirement System on a part-time, temporary, interim, or on a fee for service basis, whether contractual or otherwise at any time during the six months immediately following the effective date of retirement, then the option of the two listed below that has the lesser financial impact on the member, as determined by the Retirement System, shall be applied:

1. The member's retirement shall be deemed effective the month after the last month the member performed services for a participating employer, and the member shall repay all retirement benefits paid up to the deemed effective date, provided the member thereafter has satisfied the six-month separation required by G.S. 135-1(20).

2. The member shall make a lump sum payment to the Retirement System equal to three times the amount of compensation earned during the six months immediately following the effective date of retirement."

SECTION 12.(b) G.S. 128-24(5) is amended by adding a new sub-subdivision to read:

"e. Should a beneficiary who retired on an early or service retirement allowance under this Chapter be reemployed by, or otherwise engaged to perform services for, an employer participating in the Retirement System on a part-time, temporary, interim, or on a fee for service basis, whether contractual or otherwise at any time during the

1 six months immediately following the effective date of retirement,
2 then the option of the two listed below that has the lesser financial
3 impact on the member, as determined by the Retirement System,
4 shall be applied:

- 5 1. The member's retirement shall be deemed effective the month
6 after the last month the member performed services for a
7 participating employer, and the member shall repay all
8 retirement benefits paid up to the deemed effective date,
9 provided the member thereafter has satisfied the six-month
10 separation required by G.S. 128-21(19).
- 11 2. The member shall make a lump sum payment to the
12 Retirement System equal to three times the amount of
13 compensation earned during the month immediately
14 following the effective date of retirement."

15 **SECTION 13.** Section 11 of this act becomes effective January 1, 2016. The
16 remainder of this act becomes effective October 1, 2015.



JANET COWELL
TREASURER

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

STEVE TOOLE
RETIREMENT SYSTEMS DIRECTOR

Retirement Administrative Changes Act of 2015 – HB 277

The Department of State Treasurer aims to provide public employees and retirees, including teachers, police officers, firefighters, and public servants from all over the state with secure pensions and retirement. This legislative proposal incorporates provisions that will clarify interpretations of current law and increase efficiency of administration of the retirement systems administered by the Department.

Statutes Affected: 111-47.3 (*proposed*); 115C-438; G.S. 126-5(c13) (*proposed*); 120-4.31 (*proposed*); 150B-21.3A (*proposed*); 128-21(10a) & (10b) (*proposed*); 128-24(5)e. (*proposed*); 128-27(l); 128-27(m3) (*proposed*); 128-30(g) (*proposed*); 128-30(g)(3); 147-69.2(b); 147-77; 135-1(20); 135-3(8)f. (*proposed*); 135-5(l); G.S. 135-5(m4) (*proposed*); 135-8(f) (*proposed*); 135-8(f)(3); 135-74(c1) (*proposed*); G.S. 135-91(c); and 135-96.

Primary Sponsors: Ross, Gill, Goodman, and McNeill

Cost: Actuarial Analysis is Pending Completion for sections 4, 8, 10, 11, and 12

Type of Bill: Public Agency Bill requested by the Department of State Treasurer

SECTION ONE: Change Term Length and Impose Term Limits for Supplemental Board Members

The section changes the length of terms for members of the Supplemental Retirement Board of Trustees from two years to three years. It also sets a limit of two consecutive terms and staggers the expiration of the terms in order to ensure stability, flexibility, and continuity of governance.

SECTION TWO: Revenue from Food Service Contracts to Services for the Blind

This section authorizes the Department of State Treasurer to contract with vendors for food services for employees. The net proceeds from such contracts will be transferred to the Division of Services for the Blind.

SECTION THREE: Clarify Investment Statutes for Commingled Fixed Income

Amends the types of investment entity structures that are authorized for the State's externally managed fixed income investments. Currently, commingled vehicles such as limited partnerships, limited liability companies, and group trusts are authorized for the State Treasurer's other asset classes, but not fixed income. This provision would amend existing law to authorize externally managed fixed income investments to be made either by commingled structures or by investment management agreements, giving investments staff flexibility to evaluate the most cost-effective structures. This section also increases the maximum allowable waiver to public agencies for Daily Deposits into the state banking system, which has not been updated since 1985.

SECTION FOUR: Clarify Statute to Encourage Volunteering during Separation of Service Period

This section clarifies the volunteer service provision in the definition of retirement under TSERS so as not to discourage retirees from working as volunteers in positions normally classified as *bona fide* unpaid volunteer positions during the six months following their effective date of retirement (the "separation of service" period). This clarification is intended to reduce the uncertainty surrounding return-to-work restrictions in statute and thereby encourage retirees to work as volunteers for State agencies. Additionally,



this section includes a technical correction that clarifies the distinction between the definition of retirement under TSERS and the definition of retirement for judges.

SECTION FIVE: Require Employer Attestations of Data Accuracy

This section requires participating employers to attest to the accuracy of their monthly data submissions to the Retirement Systems Division as part of ongoing annual audit procedures for compliance with latest standards from the Governmental Accounting Standards Board of the Financial Accounting Foundation.

SECTION SIX: Improve Tools to Collect Monies Owed to the Retirement Systems

This section improves the tools available to collect monies owed to the Retirement Systems by allowing the Office of State Budget and Management (OSBM) to redirect a portion of State-appropriated funds equivalent to the amount of monthly contributions due to the Retirement Systems if an employer fails to submit payment within 90 days.

SECTION SEVEN: Clarify Rule-Making Provisions

This section grants the Boards of Trustees the flexibility to prevent the expiration of administrative rules that protect inchoate rights of members of the Retirement System.

SECTION EIGHT: Clarify Application of the 1,000-Hour Rule for LGERS Membership

As recommended by the Department Committee reviewing Return-to-Work Legislation, this section clarifies the application of the “1,000-Hour Rule” and revises the definition of “employee” to exclude temporary employees and statutorily defined Interim City and County Managers.

SECTION NINE: Human Resources Flexibility for Retirement Systems Division

This section provides an exemption from the State Human Resources Act for staff of the Supplemental Retirement Plans.

SECTION TEN: Clarify Procedures for Required Minimum Distributions

This section clarifies the procedures for paying a member’s Required Minimum Distributions from the member’s accumulated contributions to the Retirement Systems and the conditions under which these procedures apply.

SECTION ELEVEN: Adjust Calculation of Final Compensation for Death Benefit Payments

This section replaces the current calculation of death benefit payments to members who die in active service with a flat-rate benefit payment of \$50,000, regardless of final compensation. This change eliminates ambiguity in the proper calculation of final compensation, reduces the administrative complexity associated with death benefit payments, and establishes a more consistent and equitable benefit for all members of the Retirement Systems.

SECTION TWELVE: RTW Enforcement Flexibility

This section changes the enforcement policy for *de minimus* separation of service violations.

SECTION THIRTEEN: Effective Date

This act becomes effective October 1, 2015, with the exception of Section 11, which becomes effective January 1, 2016.

Prepared by the Retirement Systems Division staff, March 19, 2015



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: House Bill 277 (Second Edition)

SHORT TITLE: Retirement Admin. Changes Act of 2015.-AB

SPONSOR(S): Representatives Ross, Gill, Goodman, and McNeill

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; local government funds

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS), Consolidated Judicial Retirement System (CJRS), Legislative Retirement System (LRS), Local Governmental Employees' Retirement System (LGERS), pension and non-pension funds invested in fixed income investments under G.S. 147-69.2(b), and the supplemental retirement plans (NC 401(k), NC 457, NC 403(b)).

BILL SUMMARY: House Bill 277 (Second Edition) makes the following changes to retirement statutes:

Section 1: Changes the length of terms for members of the Supplemental Retirement Board of Trustees from two years to three years. This section also sets a limit of two consecutive terms and staggers the expiration of the terms.

Section 2: Authorizes the Department of State Treasurer to contract with vendors for food services for employees. The net proceeds from such contracts will be transferred to the Division of Services for the Blind.

Section 3: Amends the types of investment entity structures that are authorized for the State's externally managed fixed income investments. Currently, commingled vehicles such as limited partnerships, limited liability companies, and group trusts are authorized for the State Treasurer's other asset classes, but not fixed income. This section also increases the limit on exemptions for daily deposit requirements for public agencies.

Section 4: Clarifies the volunteer service provision in the definition of retirement under TSERS to allow retirees to work as volunteers in bona fide unpaid volunteer positions during the six months following their effective date of retirement.

Section 5: Requires participating employers to attest to the accuracy of their monthly data submissions as part of ongoing annual audit procedures for compliance with the latest standards from the Governmental Accounting Standards Board.

Section 6: Allows the Office of State Budget and Management (OSBM) to redirect a portion of State-appropriated funds equivalent to the amount of monthly contributions due to the Retirement Systems if an employer fails to submit payment within 90 days.

Section 7: Grants the Boards of Trustees the flexibility to prevent the expiration of administrative rules that protect inchoate rights of members of the Retirement System.

Section 8: Clarifies the application of the “1,000-Hour Rule” in LGERS and revises the definition of “regularly employed” to exclude temporary employees and statutorily defined interim city and county managers, allowing such employees to work in retirement.

Section 9: Provides an exemption from the State Human Resources Act for staff of the Supplemental Retirement Plans.

Section 10: Clarifies the procedures for paying a member’s Required Minimum Distributions at age 70-1/2.

Section 11: Changes the enforcement policy for situations in which a retiree performs a small amount of work during the six months following retirement in TSERS or the one month following retirement in LGERS. Under current law, a member who performs any work at all during this period is deemed to have never retired and must repay all benefits received. Under this provision, the repayment would be limited to three times the amount earned for work performed during the period.

EFFECTIVE DATE: October 1, 2015

ESTIMATED IMPACT ON STATE: Buck Consultants, the actuary for the Retirement Systems, and Hartman & Associates, the actuary for the General Assembly, both estimate that the required contribution rate to each of the systems will increase by less than 0.01% of payroll due to the provisions of the bill.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2013 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2013 unless otherwise noted, M = millions)				
	TSERS	LGERS	CJRS	LRS
Active Members				
Count	310,370	123,455	566	170
General Fund Compensation	\$9,914M		\$71M	\$4M
Valuation Compensation (Total)	\$13,608M	\$5,556M	\$71M	\$4M

Average Age	45	44	55	57
Average Service	10.6	10.3	13.1	5.9
Inactive Members				
Count	125,513	50,998	53	94
Retired Members				
Count	187,448	57,405	584	311
Annual Benefits	\$3,871M	\$1,039M	\$35M	\$2M
Average Age	70	68	72	76
New Retirees During 2014	11,500	4,400	30	3

Financial Statistics (as of 12/31/2013 unless otherwise noted, M = millions)				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>LRS</u>
Accrued Liability (AL)	\$65,806M	Not meaningful	\$549M	\$25M
Actuarial Value of Assets (AVA)	\$62,364M	\$21,498M	\$507M	\$29M
Market Value of Assets (MVA)	\$62,789M	\$21,784M	\$512M	\$30M
Unfunded Accrued Liability (AL - AVA)	\$3,442M	Not meaningful	\$43M	(\$5M)
Funded Status (AVA / AL)	95%	Not meaningful	92%	119%
Annual Required Contribution (ARC) for FY 2015-16 (as % of pay)	8.69%	6.52% (non-LEO)	26.37%	1.80%
Assumed Rate of Investment Return	7.25%	7.25%	7.25%	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	4.25% - 9.10%	4.25% - 8.55%	5.00% - 5.95%	7.50%
Cost Method	Entry Age Normal	Frozen Entry Age	Projected Unit Credit	Projected Unit Credit
Amortization	12 year, closed, flat \$	Not applicable	12 year, closed, flat \$	8 year, open, flat \$
Demographic assumptions based on 2005-2009 experience, RP-2000 mortality with age adjustments, and projection of future mortality improvement with scale AA, except for LRS which is based on GAM-71.				

Benefit Provisions				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>LRS</u>
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay	3.02% to 4.02% x Service x Final Pay	4.02% x Service x Highest Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5	50/24; 65/5	65/5
Employee contribution (as % of pay)	6%	6%	6%	7%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Retirement Administrative Changes Act of 2015 (House Bill 277)", April 7, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 277: An Act to Enact the Retirement Administrative Changes Act of 2015", April 10, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide

APPROVED BY:

Mark Trogon, Director
Fiscal Research Division

DATE: April 15, 2015



Signed Copy Located in the NCGA Principal Clerk's Offices

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

2

HOUSE BILL 301
Committee Substitute Favorable 4/14/15

Short Title: Escheat Fund Modifications.-AB

(Public)

Sponsors:

Referred to:

March 19, 2015

A BILL TO BE ENTITLED

AN ACT TO MODIFY INVESTMENT AUTHORIZED FOR SPECIAL FUNDS HELD BY
THE STATE TREASURER, AS REQUESTED BY THE STATE TREASURER.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 147-69.2(b) reads as rewritten:

"(b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in subsection (a) of this section in excess of the amount required to meet the current needs and demands on such funds. The State Treasurer may invest the funds as provided in this subsection. If an investment was authorized by this subsection at the time the investment was made or contractually committed to be made, then that investment shall continue to be authorized by this subsection, and none of the percentage or other limitation on investments set forth in this subsection shall be construed to require the State Treasurer to subsequently dispose of the investment or fail to honor any contractual commitments as a result of changes in market values, ratings, or other investment qualifications. For purposes of computing market values on which percentage limitations on investments in this subsection are based, all investments shall be valued as of the last date of the most recent fiscal quarter.

...
(12) It is the intent of the General Assembly that the Escheat Fund (i) provide a perpetual and sustainable source of funding for the purposes authorized by the State Constitution; and (ii) retain sufficient monies as corpus to allow the State Treasurer to prudently invest in long-term illiquid investments, including those with a North Carolina nexus, in order to grow the amount of earnings available for scholarships over the long-term. Accordingly, the following provisions apply:

a. With respect to assets of the Escheat Fund, in addition to those investments authorized by subdivisions (1) through (6) of this subsection, up to twenty percent (20%) of such assets may be invested in the investments authorized under subdivisions ~~(7)~~(6c) through ~~(9)~~(9a) of this subsection, notwithstanding the percentage limitations imposed on the Retirement Systems' investments under those subdivisions.

b. The State Treasurer shall engage a third-party professional actuary or consultant to conduct a valuation and projection of the financial status of the Escheat Fund. The associated costs for the services may be directly charged to the Escheat Fund. The State Treasurer shall communicate the valuation of the actuary or consultant in an annual



1 report to the Governor, the Speaker of the House of Representatives,
2 the President Pro Tempore of the Senate, and the chairs of the
3 respective appropriations and appropriate substantive committees of
4 each chamber. The annual report shall evaluate claims by owners
5 upon the Escheat Fund, current and projected investment returns, and
6 projected contributions to the Escheat Fund. In the report, the State
7 Treasurer shall assess the status of utilizing the Escheat Fund as an
8 endowment fund and shall recommend an annual amount available
9 for the funding of scholarships, loans, and grants from the Fund. The
10 annual report shall be presented no later than December 31 of each
11 year.

12 c. The State Treasurer may invest, in addition to those investments
13 authorized by sub-subdivision a. of this subdivision, up to ten percent
14 (10%) of the net assets of the Escheat Fund in businesses with a
15 material nexus with this State; provided that such investments are of
16 an asset class and structure authorized for the Retirement System
17 under subdivisions (6c) through (9a) of this subsection.

18 d. The State Treasurer shall discharge his or her investment duties with
19 respect to the Escheat Fund consistent with the provisions of
20 G.S. 36E-3. When considering the factors stated in
21 G.S. 36E-3(e)(1)g., the State Treasurer may presume that the General
22 Assembly will fund scholarships, loans, and grants from the Escheat
23 Fund in the amount recommended in the annual report."

24 **SECTION 2.** This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 301

Short Title: Escheat Fund Modifications.-AB

(Public)

Sponsors: Representatives Collins, Ross, Tine, and Warren (Primary Sponsors).

For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Pensions and Retirement.

March 19, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO MODIFY INVESTMENT AUTHORIZED FOR SPECIAL FUNDS HELD BY
3 THE STATE TREASURER, AS REQUESTED BY THE STATE TREASURER.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. G.S. 147-69.2(b) reads as rewritten:

6 "(b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated
7 in subsection (a) of this section in excess of the amount required to meet the current needs and
8 demands on such funds. The State Treasurer may invest the funds as provided in this
9 subsection. If an investment was authorized by this subsection at the time the investment was
10 made or contractually committed to be made, then that investment shall continue to be
11 authorized by this subsection, and none of the percentage or other limitation on investments set
12 forth in this subsection shall be construed to require the State Treasurer to subsequently dispose
13 of the investment or fail to honor any contractual commitments as a result of changes in market
14 values, ratings, or other investment qualifications. For purposes of computing market values on
15 which percentage limitations on investments in this subsection are based, all investments shall
16 be valued as of the last date of the most recent fiscal quarter.

17 ...
18 (12) It is the intent of the General Assembly that the Escheat Fund (i) provide a
19 perpetual and sustainable source of funding for the purposes authorized by
20 the State Constitution; and (ii) retain sufficient monies as corpus to allow the
21 State Treasurer to prudently invest in long-term illiquid investments,
22 including those with a North Carolina Nexus, in order to grow the amount of
23 earnings available for scholarships over the long-term. Accordingly, the
24 following provisions apply:

25 a. With respect to assets of the Escheat Fund, in addition to those
26 investments authorized by subdivisions (1) through (6) of this
27 subsection, up to twenty percent (20%) of such assets may be
28 invested in the investments authorized under subdivisions ~~(7)~~(6c)
29 through ~~(9)~~(9a) of this subsection, notwithstanding the percentage
30 limitations imposed on the Retirement Systems' investments under
31 those subdivisions.

32 b. The State Treasurer shall engage a third-party professional actuary or
33 consultant to conduct a valuation and projection of the financial
34 status of the Escheat Fund. The associated costs for the services may
35 be directly charged to the Escheat Fund. The State Treasurer shall



1 communicate the valuation of the actuary or consultant in an annual
2 report to the Governor, the Speaker of the House of Representatives,
3 the President Pro Tempore of the Senate, and the chairs of the
4 respective appropriations and appropriate substantive committees of
5 each chamber. The annual report shall evaluate claims by owners
6 upon the Escheat Fund, current and projected investment returns, and
7 projected contributions to the Escheat Fund. In the report, the State
8 Treasurer shall assess the status of utilizing the Escheat Fund as an
9 endowment fund and shall recommend an annual amount available
10 for the funding of scholarships, loans, and grants from the Fund. The
11 annual report shall be presented no later than December 31 of each
12 year.

13 c. The State Treasurer may invest, in addition to those investments
14 authorized by subdivision (12) of this subsection, up to ten percent
15 (10%) of the net assets of the Escheat Fund in businesses with a
16 material nexus with this State; provided that such investments are of
17 an asset class and structure authorized for the Retirement System
18 under subdivisions (6c) through (9a) of this subsection.

19 d. The State Treasurer shall discharge his or her investment duties with
20 respect to the Escheat Fund consistent with the provisions of
21 G.S. 36E-3. When considering the factors stated in
22 G.S. 36E-3(e)(1)g., the State Treasurer may presume that the General
23 Assembly will fund scholarships, loans, and grants from the Escheat
24 Fund in the amount recommended in the annual report."

25 **SECTION 2.** This act is effective when it becomes law.



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
UNCLAIMED PROPERTY / ESCHEATS DIVISION

JANET COWELL
TREASURER

Brenda D. Williams
Deputy Treasurer

HB 301 – Escheat Fund Modifications (Agency Bill)

Bill Summary

The legislation makes changes to the statutes governing investment of the Escheat Fund that would treat the Fund more like an educational endowment. Under the endowment model, the Escheat Fund could be invested in higher-performing illiquid investments, in ways that would ultimately protect the corpus of the Fund and allow scholarships for needy and deserving students to be funded from the investment returns. The bill also makes changes to how the monies in the Escheat Fund can be invested by the Treasurer.

SECTION ONE:

Intention to Grow the Corpus of the Escheat Fund

This section states an intention of the General Assembly that the Escheat Fund should become a sustainable source of funding for purposes authorized by the state constitution, namely, providing scholarships for deserving and needy students. In order to do this, it is the intent of the General Assembly to allow the corpus of the Fund to grow and for some of these monies to be invested in longer-term investments that provide a higher return. Currently, the Fund is invested primarily in highly liquid but low-yielding investments.

Investment Clarification

This section makes changes that clarify the Treasurer's existing authority to invest up to 20% of the Fund outside of low-yielding bonds. This 20% authority is based on the guidelines in G.S. 147-69.2(b) that apply to similar investments in the North Carolina Retirement Systems, but the cross-reference in the Escheat Fund was not updated in 2009 when the Retirement Systems' guidelines were updated to add G.S. 147-69.2(b)(6c) (credit strategies) and 147-69.2(b)(9a) (inflation protection).

Independent Valuation of the Fund

Higher-returning investments have been a diminishing portion of the Escheat Fund over time because of the need for liquidity given large allocations of Fund corpus. This section directs the Treasurer to engage a third party actuary to conduct a valuation of the Fund and provide projections of its financial status and future growth. The valuation shall include an assessment of how growing the Fund as an "endowment fund" is proceeding and make recommendations to the General Assembly as to the amount available for student scholarships consistent with that goal.

Investments in North Carolina

This section allows the Treasurer to invest up to an additional 10% of the net assets of the Fund in businesses with a material nexus in North Carolina. Any material nexus investment would have to be of an asset class authorized for the North Carolina Retirement Systems.

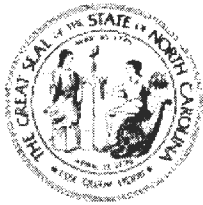
Standard of Care

This section specifies the standard of fiduciary care that must be followed in discharging her investment duties with respect to the Escheat Fund. These are spelled out in G.S. 36E-3, part of the Uniform Prudent Management of Institutional Funds Act. The section also states that the Treasurer may make investment decisions with the presumption that the General Assembly will fund student scholarships in amounts recommended by the actuarial study.

SECTION TWO: Effective Date

This act is effective when it becomes law.





HOUSE BILL 301: Escheat Fund Modifications.-AB

This Bill Analysis
reflects the contents
of the bill as it was
presented in
committee.

2015-2016 General Assembly

Committee: House Pensions and Retirement
Introduced by: Reps. Collins, Ross, Tine, Warren
Analysis of: PCS to First Edition
H301-CSSH-13

Date: April 13, 2015
Prepared by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 301 amends the State Treasurer's investment authority for the Escheat Fund, at the request of the State Treasurer.*

The PCS makes two technical changes to correct capitalization and to correct a statutory reference.

CURRENT LAW:

North Carolina Constitution, Article IX, Section 10. Escheats:

(1) Escheats prior to July 1, 1971. All property that prior to July 1, 1971, accrued to the State from escheats, unclaimed dividends, or distributive shares of the estates of deceased persons shall be appropriated to the use of The University of North Carolina.

(2) Escheats after June 30, 1971. All property that, after June 30, 1971, shall accrue to the State from escheats, unclaimed dividends, or distributive shares of the estates of deceased persons shall be used to aid worthy and needy students who are residents of this State and are enrolled in public institutions of higher education in this State. The method, amount, and type of distribution shall be prescribed by law.

§ 116B-5 requires all property escheated or abandoned to be paid into the Escheat Fund and administered by the Treasurer.

§ 116B-6 outlines criteria with regard to managing the Escheat Fund and Escheat Account. In particular, this statute includes subsection (b) pertaining to Investment and Transfer of Assets and Income; subsection (e) pertaining to Use of Excess Funds; subsection (f) pertaining to Refund Reserve; subsection (g) pertaining to Additional Funds for Refunds; and subsection (h) pertaining to Expenditures.

§ 147-69.2 authorizes investments for special funds, including the Escheat Fund.

§ 36E-3 pertains to the standard of conduct in managing and investing institutional funds.

§ 36E-3 (e)(1)g. requires the needs of the institution and the fund to make distributions and to preserve capital to be considered when managing and investing an institutional fund.

BILL ANALYSIS: House Bill 301, as requested by the State Treasurer, amends G.S. 147-69.2(b)(12) pertaining to investments authorized for the Escheat Fund. The new language provides that it is the intent of the General Assembly that the Escheat Fund: (i) provide a perpetual and sustainable source of funding; and (ii) retain sufficient monies to allow the State Treasurer to invest in long-term illiquid investments, including those with a North Carolina nexus, in an effort to grow the amount available for scholarships.

The bill moves prior statutory language in G.S. 147-69.2(b)(12) to a new sub-subdivision (a) which currently allows up to 20% of the assets to be invested in certain authorized investments. The bill

O. Walker Reagan
Director



Research Division
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House Bill 301

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expands investment options to include opportunistic fixed income (6c) and inflation sensitive (9a) investments.

G.S. 147-69.2(b)(12)(b) is new language requiring the State Treasurer to engage a third-party professional actuary or consultant to conduct a valuation and projection of the financial status of the Escheat Fund and to allow the associated costs for the services to be directly charged to the Fund. No later than December 31st each year, the State Treasurer is required to communicate the valuation in an annual report to the Governor, Speaker of the House of Representatives, President Pro Tempore of the Senate, and respective committees of each chamber. The report must evaluate claims by owners; current and projected investment returns; projected contributions; the State Treasurer's assessment of the status of utilizing the Escheat Fund as an endowment fund; and a recommendation on the annual amount available for the funding of scholarships, loans, and grants.

G.S. 147-69.2(b)(12)(c) is new language authorizing the State Treasurer to invest up to 10% of the net assets of the Escheat Fund in businesses with a material nexus with the State provided that the investments are in an asset class and structure authorized for the Retirement System under subdivisions (6c) through (9a) of the subsection. Sub-subdivision (a) includes these same authorized investments, but those are not required to have a material nexus with the State. Overall, up to 30% may be invested in these authorized investment categories.

Finally, G.S. 147-69.2(b)(12)(d) of the bill requires the State Treasurer to discharge his or her investment duties for the Escheat Fund consistent with the provisions of G.S. 36E-3 which require a certain standard of conduct for managing an institutional fund. When considering the factors in G.S. 36E-3(e)(1)g, the State Treasurer may presume that the General Assembly will fund scholarships, loans, and grants from the Escheat Fund in the amount recommended in the annual report.

EFFECTIVE DATE: This bill would become effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 555

Short Title: Probation/Parole Officers Retirement. (Public)

Sponsors: Representatives McNeill, Faircloth, Boles, and Hurley (Primary Sponsors).
For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Pensions and Retirement, if favorable, Appropriations.

April 6, 2015

A BILL TO BE ENTITLED
AN ACT TO ENHANCE THE BENEFITS OF PROBATION/PAROLE OFFICERS WHO
ARE MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT
SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-1 reads as rewritten:

"§ 135-1. Definitions.

The following words and phrases as used in this Chapter, unless a different meaning is plainly required by the context, shall have the following meanings:

...
(11c) "Law-Enforcement Officer" means a full-time paid employee of an employer who is actively serving in a position with assigned primary duties and responsibilities for prevention and detection of crime or the general enforcement of the criminal laws of the State of North Carolina or serving civil processes, and who possesses the power of arrest by virtue of an oath administered under the authority of the State. "Law-Enforcement Officer" also means a probation/parole officer as defined in this section with respect to any service rendered on or after July 1, 2015.

...
(17a) "Probation/Parole Officer" shall mean a full-time paid employee of the Division of Adult Correction of the Department of Public Safety whose duties include supervising, evaluating, or otherwise instructing offenders who have been placed on probation, parole, post-release supervision, or have been assigned to any other community-based program operated by the Division of Adult Correction.

...."

SECTION 2. This act becomes effective July 1, 2015, and applies to persons retiring on or after that date.







HOUSE BILL 555: Probation/Parole Officers Retirement

2015-2016 General Assembly

Committee:	House Pensions and Retirement, if favorable, Appropriations	Date:	April 13, 2015
Introduced by:	Reps. McNeill, Faircloth, Boles, Hurley	Prepared by:	Theresa Matula Committee Staff
Analysis of:	First Edition		

SUMMARY: *House Bill 555 amends the Teachers' and State Employees' Retirement System (TSERS) definition of "Law Enforcement Officer" to also mean a "probation/parole officer" which increases or enhances the benefits for probation/parole officers.*

BILL ANALYSIS:

House Bill 555 amends the definition section of the Teachers' and State Employees' Retirement System (TSERS) statutes to provide a definition of "Probation/Parole Officer."

A "probation/parole officer" is defined as a full-time paid employee of the Division of Adult Correction of the Department of Public Safety whose duties include supervising, evaluating, or otherwise instructing offenders who have been placed on probation, parole, post-release supervision, or have been assigned to any other community-based program operated by the Division of Adult Correction.

The bill also amends the definition of "law enforcement officer" to include probation/parole officers as defined in G.S. 135-1 with respect to service rendered on or after July 1, 2015.

By defining probation/parole officers as "law enforcement officers," the bill provides or enhances the following benefits:

- Service Retirement (Unreduced Benefits) at age 55 with 5 years creditable service versus age 65 with 5 years creditable service or age 60 with 25 years creditable service.
- Early Retirement (Reduced Benefits) at age 50 with 15 years creditable service versus age 50 with 20 years creditable service or age 60 with 5 years creditable service.
- Provides a Separation Allowance
- Provides a Separate Insurance Benefits Plan
- Survivor's Alternate Benefit with 20 years, regardless of age, or age 50 with 15 years, or age 55 with 5 years, or 15 years of creditable service if killed in line of duty versus 20 years regardless of age, or age 60 with 5 years

EFFECTIVE DATE: This bill would become effective July 1, 2015, and apply to persons retiring on or after that date.

O. Walker Reagan
Director



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GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: House Bill 555 (First Edition)

SHORT TITLE: Probation/Parole Officers Retirement.

SPONSOR(S): Representatives McNeill, Faircloth, Boles, and Hurley

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS), Separate Insurance Benefits Plan (SIBP), special separation allowance.

BILL SUMMARY: House Bill 555 (First Edition) defines a probation/parole officer for retirement benefit purposes and changes the definition of law-enforcement officer in G.S. 135-1(11c) to include probation/parole officers with respect to service rendered on or after July 1, 2015. Changing the definition of law-enforcement officer has the following impacts in other areas of the General Statutes:

- G.S. 135-5(b19) says "A member who is a law enforcement officer" will be eligible for unreduced retirement at age 55 with 5 years of service as a law-enforcement officer or reduced retirement at age 50 with 15 years of service as a law-enforcement officer. Because G.S. 135-5 is in the same chapter as G.S. 135-1(11c), changing the definition of law-enforcement officer extends those retirement age provisions to probation/parole officers.
- G.S. 143-166.41(a) says that the separation allowance is available to "every sworn law-enforcement officer as defined by G.S. 135-1(11c)...". By changing the definition in G.S. 135-1(11c), the bill causes probation/parole officers to start earning service toward the separation allowance.
- G.S. 143-166.60 says that the SIBP is established for "all law enforcement officers, as defined in G.S. 135-1(11c)..." By changing the definition in G.S. 135-1(11c), the bill makes probation/parole officers eligible for the SIBP.

The bill does not change the definition of law enforcement officer in G.S. 143-166.30(a)(4). That is the definition that applies to the NC 401(k) Plan. Thus, the bill does not extend the law-enforcement 401(k) benefits to probation/parole officers.

Because the bill only changes the definition of law-enforcement officer with respect to service rendered on or after July 1, 2015, most probation/parole officers would have to work for at least five more years to be eligible to retire at a different age or receive the separation allowance.

EFFECTIVE DATE: July 1, 2015

ESTIMATED IMPACT ON STATE:

Buck Consultants, the actuary for the Retirement System, estimates that the change to the TSERS retirement ages will result in an increase in the annual required contribution of 0.02% of payroll, or \$2.0 million from the General Fund. Buck estimates an increase in the SIBP liability of \$0.1 million, which would not eliminate the surplus in the SIBP. Buck also estimated negligible decreases in the contributions and/or liability for the Disability Income Plan and Death Benefit Plan due to the expected change in retirement patterns.

Hartman & Associates, the actuary for the General Assembly, estimates that the change to the TSERS retirement ages will result in an increase in the annual required contribution of 1.39% of the probation/parole officer payroll, or roughly \$1.0 million. Hartman & Associates estimates an increase in the SIBP liability of \$0.2 million, which would not eliminate the surplus in the SIBP.

The actuaries estimated the following cash flow impact due to the additional separation allowances:

<u>Year</u>	<u>Buck Consultants</u>	<u>Hartman & Associates</u>
FY 2015-16	\$0	\$0
FY 2016-17	\$0	\$0
FY 2017-18	\$0	\$0
FY 2018-19	\$0	\$0
FY 2019-20	\$0	\$0
FY 2020-21	\$10,000	\$8,209
FY 2021-22	\$32,000	\$25,463
FY 2022-23	\$57,000	\$50,182
FY 2023-24	\$96,000	\$91,250
FY 2024-25	\$143,000	\$145,794

ASSUMPTIONS AND METHODOLOGY:

A listing of current probation/parole officers was obtained from the Department of Public Safety containing a total of 1,761 officers with a total payroll of \$69 million. The Department also stated that it was close to hiring an additional 80 officers.

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2013 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

<u>Membership Statistics (as of 12/31/2013 unless otherwise noted, M = millions)</u>		
	<u>TSERS</u>	<u>SIBP</u>
Active Members		
Count	310,370	23,840
General Fund Compensation	\$9,914M	\$190M
Average Age	45	39
Average Service	10.6	11.3

Inactive Members		
Count	125,513	N/A
Retired Members		
Count	187,448	N/A
Annual Benefits	\$3,871M	\$0.5M paid out
Average Age	70	N/A
New Retirees During 2014	11,500	N/A

Financial Statistics (as of 12/31/2013 unless otherwise noted, M = millions)		
	<u>TSERS</u>	<u>SIBP</u>
Accrued Liability (AL)	\$65,806M	\$23M (total liability)
Actuarial Value of Assets (AVA)	\$62,364M	\$80M *
Market Value of Assets (MVA)	\$62,789M	\$80M *
Unfunded Accrued Liability (AL - AVA)	\$3,442M	(\$57M)
Funded Status (AVA / AL)	95%	343%
Annual Required Contribution (ARC) for FY 2015-16 (as % of pay)	8.69%	0%
Assumed Rate of Investment Return	7.25%	5.75%
Salary Increase Assumption (includes 3.50% inflation and productivity)	4.25% - 9.10%	N/A
Cost Method	Entry Age Normal	N/A
Amortization	12 year, closed, flat \$	N/A
Demographic assumptions based on 2005-2009 experience, RP-2000 mortality with age adjustments, and projection of future mortality improvement with scale AA		
* The 2013 Appropriations Act amended G.S. 143-166.60 to allow the assets of the SIBP to be used to pay employer health insurance contributions for law enforcement officers. Expected payments for this purpose total roughly \$33M over the 2013-2015 biennium.		

Benefit Provisions			
	<u>TSERS</u>	<u>SIBP</u>	<u>Separation Allowance</u>
Formula	1.82% x Service x 4 Year Avg Pay	\$5,000 for actives; \$4,000 for retirees; \$2,100 additional for line-of-duty deaths	0.85% x Service x Final Base Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Retirees must have 20 or more years of service to qualify	Any/30; 55/5; the greater of 5 years or 50% of the total must be as a LEO
Employee contribution	6% of pay	None	None

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Probation/Parole Officers Retirement (House Bill 555)", April 10, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 555: An Act to Enhance the Benefits of Probation/Parole Officers Who Are Members of the TSERS", April 8, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide

APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division

DATE: April 13, 2015



Signed Copy Located in the NCGA Principal Clerk's Offices

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

D

HOUSE BILL 385*
PROPOSED COMMITTEE SUBSTITUTE H385-CSSH-17 [v.2]

4/13/2015 7:54:57 PM

Short Title: Sheriffs' Supp. Pension Fund Changes.

(Public)

Sponsors:

Referred to:

March 30, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE THE PORTION OF COURT COSTS USED FOR THE SHERIFFS'
3 SUPPLEMENTAL PENSION FUND AND TO ALLOW UNUSED SICK LEAVE
4 UNDER THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO
5 BE APPLIED AS ELIGIBLE SERVICE IN THE SHERIFFS' SUPPLEMENTAL
6 PENSION FUND.

7 The General Assembly of North Carolina enacts:

8 SECTION 1. G.S. 7A-304(a) reads as rewritten:

9 "(a) In every criminal case in the superior or district court, wherein the defendant is
10 convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the
11 prosecuting witness, the following costs shall be assessed and collected. No costs may be
12 assessed when a case is dismissed. Only upon entry of a written order, supported by findings of
13 fact and conclusions of law, determining that there is just cause, the court may (i) waive costs
14 assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8),
15 (8a), (11), (12), or (13) of this section.

16 ...

17 (3a) For the supplemental pension benefits of sheriffs, the sum of ~~one dollar~~
18 ~~twenty-five cents (\$1.25)~~ two dollars fifty cents (\$2.50) to be remitted to the
19 Department of Justice and administered under the provisions of Article 12H
20 of Chapter 143 of the General Statutes.

21"

22 SECTION 2. G.S. 143-166.84 is amended by adding a new subsection to read:

23 "(c) For purposes of this Article, the term "eligible service as sheriff" means membership
24 service rendered since the person became sheriff, and if the person has sick leave standing to
25 his or her credit accrued as a member of the Local Governmental Employees' Retirement
26 System and after notification to the Retirement Systems Division by the Department of Justice
27 elects to have all of that sick leave applied to service under this Article instead of service in that
28 System, one month of credit for each 20 days or portion thereof, but not less than one hour, and
29 subject to all the requirements and restrictions of G.S. 128-26(e)."

30 SECTION 3.(a) Section 1 of this act becomes effective July 1, 2015, and applies to
31 court costs imposed or collected on or after that date, except that in misdemeanor cases
32 disposed of on or after that date by written appearance, waiver of trial or hearing, and plea of
33 guilty or admission of responsibility pursuant to G.S. 7A-180(4) or G.S. 7A-273(2) in which
34 the citation or other criminal process was issued before that date, the cost shall be the lesser of
35 the cost specified in G.S. 7A-304(a), as amended by this act, or the cost specified in the notice



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1 portion of the defendant's or respondent's copy of the citation or other criminal process, if any
2 costs are specified in that notice.

3 **SECTION 3.(b)** Section 2 of this act becomes effective July 1, 2015, and expires
4 January 31, 2019.

5 **SECTION 3.(c)** The remainder of the act is effective when it becomes law.



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 385*

Short Title: Increase Sheriffs' Supp. Pension Court Cost. (Public)

Sponsors: Representatives McNeill, Presnell, Shepard, and Waddell (Primary Sponsors).
For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Pensions and Retirement, if favorable, Finance.

March 30, 2015

A BILL TO BE ENTITLED
AN ACT TO INCREASE THE PORTION OF COURT COSTS USED FOR THE SHERIFFS'
SUPPLEMENTAL PENSION FUND.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 7A-304(a) reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8), (8a), (11), (12), or (13) of this section.

...
(3a) For the supplemental pension benefits of sheriffs, the sum of ~~one dollar twenty-five cents (\$1.25)~~ two dollars fifty cents (\$2.50) to be remitted to the Department of Justice and administered under the provisions of Article 12H of Chapter 143 of the General Statutes.

...."

SECTION 2. This act becomes effective July 1, 2015, and applies to court costs imposed or collected on or after that date, except that in misdemeanor cases disposed of on or after that date by written appearance, waiver of trial or hearing, and plea of guilty or admission of responsibility pursuant to G.S. 7A-180(4) or G.S. 7A-273(2) in which the citation or other criminal process was issued before that date, the cost shall be the lesser of the cost specified in G.S. 7A-304(a), as amended by this act, or the cost specified in the notice portion of the defendant's or respondent's copy of the citation or other criminal process, if any costs are specified in that notice.



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HOUSE BILL 385: Increase Sheriffs' Supp. Pension Court Cost

2015-2016 General Assembly

Committee:	House Pensions and Retirement, if favorable, Finance	Date:	April 13, 2015
Introduced by:	Reps. McNeill, Presnell, Shepard, Waddell	Prepared by:	Theresa Matula
Analysis of:	PCS to First Edition H385-CSSH-17		Committee Staff

SUMMARY: *The PCS for House Bill 385 increases from \$1.25 to \$2.50 the portion of court costs used to fund supplemental pension benefits for sheriffs in the Sheriffs' Supplemental Pension Fund and allows unused sick leave in the Local Governmental Employees' Retirement System (LGERS) to be applied as eligible service in the Sheriffs' Supplemental Pension Fund.*

(The PCS combines the original content of HB 385 and amended content from HB 331.)

CURRENT LAW:

G.S. 7A-304(a)(3a) provides \$1.25 from court costs collected in criminal cases to be used to fund the supplemental pension benefits for sheriffs.

G.S. 7A-180(4) provides that the clerk of superior court in district court matters has the power to accept written appearances, waivers of trial or hearing and pleas of guilty or admissions of responsibility for certain types of offenses in accordance with schedules of offenses promulgated by the Conference of Chief District Judges and to enter judgment and collect the fine or penalty and costs.

G.S. 7A-273(2) provides that in misdemeanor or infraction cases involving certain alcohol offenses, traffic offenses, hunting, fishing, State park and recreation area rule offenses, boating offenses, certain burning offenses and littering offenses the magistrate has power to accept written appearances, waivers of trial or hearing and pleas of guilty or admissions of responsibility, in accordance with the schedule of offenses and fines or penalties promulgated by the Conference of Chief District Judges, and to enter judgment and collect the fines or penalties or costs.

Article 12H of Chapter 143 provides the Sheriffs' Supplemental Pension Fund. As described in G.S. 143-166.8, the Fund provides supplemental pension benefits for all county sheriffs who are retired from the Local Governmental Employees' Retirement System (LGERS), or an equivalent locally sponsored plan. The Sheriffs' Supplemental Pension Fund (SSPF) is administered by the NC Department of Justice, Sheriffs' Standards Division.

G.S. 128-26(e) outlines creditable service in the LGERS, including creditable service for unused sick leave.

BILL ANALYSIS: **Section 1** of the bill amends G.S. 7A-304(a) which provides for the assessment, collection, and distribution of costs in criminal cases. The bill increases from \$1.25 to \$2.50 the amount that is remitted to the Department of Justice to administer the Sheriffs' Supplemental Pension Fund.

Section 2 of the bill amends G.S. 143-166.84 which outlines eligibility in the Sheriffs' Supplemental Pension Fund (SSPF). The bill provides a new subsection specifying that "eligible service as a sheriff" means membership service rendered since the person became sheriff, and if the person has sick leave standing to his or her credit accrued as a member of the LGERS and following notification to the

O. Walker Reagan
Director



Research Division
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House Bill 385

Page 2

Retirement Systems Division by the Department of Justice elects to have all of that sick leave applied to service in the SSPF instead of the LGERS, one month of credit for each 20 days or portion thereof, but not less than one hour, and is subject to all the requirements and restrictions of G.S. 128-26(e).

EFFECTIVE DATE: **Section 3(a)** contains the effective date of Section 1 of the bill pertaining to court costs. Section 1 of the bill would become effective July 1, 2015, and applies to court costs imposed or collected on or after that date, except that in misdemeanor cases disposed of on or after that date by written appearance, waiver of trial or hearing, and plea of guilty or admission of responsibility pursuant to G.S. 7A-180(4) or G.S. 7A-273(2) in which the citation or other criminal process was issued before that date, the cost shall be the lesser of the cost specified in G.S. 7A-304(a), as amended by this act, or the cost specified in the notice portion of the defendant's or respondent's copy of the citation or other criminal process, if any costs are specified in that notice.

Section 3(b) contains the effective date of Section 2 of the bill pertaining to unused sick leave. Section 2 of the bill becomes effective July 1, 2015, and expires January 31, 2019.

Section 3(c) provides that the remainder of the act is effective when it becomes law.

BACKGROUND: The Sheriffs' Supplemental Pension Fund (SSPF) is administered by the NC Department of Justice, Sheriffs' Standards Division. The SSPF is funded by criminal court costs assessed and collected under G.S. 7A-304(a)(3a) which requires \$1.25 to be remitted for supplemental pension benefits for sheriffs. Benefits are based on the Fund's assets. According to the 2013 Annual Report from the Sheriffs' Supplemental Pension Program, the total available assets are divided into equal shares and disbursed as monthly payments.

Information supplied by David Vanderweide, Fiscal Research Division, includes the fact that because this system is based on shares and funded from court costs, it is different from a defined benefit. As the number of individuals eligible for benefits increases, so does the number of shares, which decreases the value of each share. The share value for 2013 was \$748.58. Thus, each additional year of service provides an annual benefit of \$748.58. If a local government awarded 12 days per year of sick leave and an employee never used sick leave, then an employee retiring with 30 years of service would have 18 months of sick leave credit ($12 \times 30 / 20 = 18$). Additionally, the extra benefit due to using a year of sick leave in LGERS, assuming you are otherwise eligible to retire, is $1.85\% \times \text{Average Final Compensation (AFC)}$. At an AFC of \$40,000, that is \$740 per month and at an AFC of \$150,000, it is \$2,775 per month.

David Vanderweide, Fiscal Analyst, Fiscal Research Division, contributed to this summary.



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Fiscal Note

BILL NUMBER: House Bill 385 (First Edition)

SHORT TITLE: Increase Sheriffs' Supp. Pension Court Cost.

SPONSOR(S): Representatives McNeill, Presnell, Shepard, and Waddell

FISCAL IMPACT (\$ in millions)					
	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> No Estimate Available		
State Impact	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
General Fund Revenues:					
General Fund Expenditures:					
Special Fund Revenues:	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9
Special Fund Expenditures:					
State Positions:					
NET STATE IMPACT	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:
Department of Justice, Administrative Office of the Courts

EFFECTIVE DATE: July 1, 2015

TECHNICAL CONSIDERATIONS:
None

FISCAL SUMMARY:

The bill doubles the court cost fee for the supplemental pension benefits of sheriffs from \$1.25 to \$2.50. In FY 2013-14, the amount collected under G.S. 7A-304(3a) was \$903,256. Assuming similar collections in FY 2015-16, this bill would double the total amount collected to \$1,806,512.

BILL SUMMARY:

The bill amends G.S. 7A-304(a)(3a), which provides that when a defendant is convicted or enters a plea of guilty or nolo contendere or when costs are assessed against the prosecuting witness in the superior or district court, the court cost fee assessed for the supplemental pension benefits of sheriffs will increase to \$2.50 from the current amount of \$1.25. This bill is effective on July 1, 2015 and applies to court costs imposed or collected on or after that date. The bill provides for an exception for misdemeanor cases disposed of on or after that date by written appearance, waiver of trial or hearing, or plea of guilty or admission of responsibility in specified circumstances.

The supplemental pension benefits of sheriffs are defined in Section 12H of Chapter 143 of the General Statutes to be equal to one share for each full year of eligible service as a sheriff multiplied by each recipient's years of service as a sheriff, subject to the following limitations:

- a) When combined with the initial benefit from the Local Governmental Employees' Retirement System, the benefit cannot exceed 75% of the recipient's salary immediately preceding retirement.
- b) No benefit may exceed \$1,500 per month.

The value of each share is based on the amount available to be dispersed, which is largely determined by the amount paid in court costs. Thus, by doubling collected court costs, this bill will significantly increase supplemental pensions to sheriffs, in some cases roughly doubling the amount they receive.

ASSUMPTIONS AND METHODOLOGY:

This bill doubles the court cost fee for the supplemental pension benefits of sheriffs from \$1.25 to \$2.50. The courts currently combine the court cost fees in G.S. 7A-304(a)(3) and (3a) for a combined law enforcement officer retirement and insurance court cost of \$7.50. G.S. 7A-304(a)(3) directs that \$6.25 of this amount shall be remitted to the State Treasurer for varying costs related to the retirement and insurance of law enforcement officers. G.S. 7A-304(3a) directs that the funds collected under this provision, which this bill raises from \$1.25 to \$2.50, shall be remitted to the Department of Justice and administered under the provisions of Article 12H of Chapter 143 of the General Statutes.

In FY 2013-14, the amount collected under G.S. 7A-304(3a) was \$903,256. Assuming similar collections in FY 2015-16, this bill would double that amount to \$1,806,512. Adding \$1.25 to criminal court costs would increase the total court costs to the amounts shown below.

Type of Court Case	Total Cost
District Court Infraction	\$179.25
District Court Infraction - Chapter 20 Offense	\$189.25
District Court Misdemeanor	\$181.25
District Court Misdemeanor - Chapter 20 Offense	\$191.25
Superior Court <u>without</u> First Appearance in District Court	\$206.25
Superior Court <u>without</u> First Appearance in District Court - Chapter 20 Offense	\$216.25
Superior Court <u>with</u> First Appearance in District Court	\$335.75
Superior Court <u>with</u> First Appearance in District Court - Chapter 20 Offense	\$345.75
Superior Court Infraction Appealed from District Court for Trial De Novo	\$369.75
Superior Court Infraction Appealed from District Court for Trial De Novo - Chapter 20 Offense	\$389.75
Superior Court Misdemeanor Appealed from District Court for Trial De Novo	\$373.75
Superior Court Misdemeanor Appealed from District Court for Trial De Novo - Chapter 20 Offense	\$393.75

SOURCES OF DATA: Department of Justice; Administrative Office of the Courts; Fiscal Research Division.

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: William Childs and David Vanderweide

APPROVED BY:

Mark Trogon, Director
Fiscal Research Division

DATE: April 10, 2015



Signed Copy Located in the NCGA Principal Clerk's Offices



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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1

HOUSE BILL 331

Short Title: Sheriffs' Supp. Pension Fund/Sick Leave. (Public)

Sponsors: Representatives Saine and Setzer (Primary Sponsors).

For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Pensions and Retirement.

March 24, 2015

A BILL TO BE ENTITLED

AN ACT TO ALLOW UNUSED SICK LEAVE UNDER THE LOCAL GOVERNMENTAL
EMPLOYEES' RETIREMENT SYSTEM TO BE APPLIED AS ELIGIBLE SERVICE IN
THE SHERIFFS' SUPPLEMENTAL PENSION FUND.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 143-166.84 is amended by adding a new subsection to read:

"(c) For purposes of this Article, the term "eligible service as sheriff" means membership service rendered since the person became sheriff, and if the person has sick leave standing to his or her credit accrued as a member of the Local Governmental Employees' Retirement System and elects to have all of that sick leave applied to service under this Article instead of service in that System, one month of credit for each 20 days or portion thereof, but not less than one hour, and subject to all the requirements and restrictions of G.S. 128-26(e)."

SECTION 2. This act becomes effective July 1, 2015.



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VISITOR REGISTRATION SHEET

House Pension and Retirement Committee

Name of Committee

4-14-15

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Christina Strickland	DST
Amanda Hoxaker	TSS
KEVIN LECOUNT	SEANC
Suzanne Beasley	SEANC
Flint Benson	SEANC
AUDY WALSH	JA
Mildred Spearman	NCAOC
Sam Skinner	NCAAC
Maria Trunk	NCAAC
Yolanda Davis	NCDPS HR 214 W. Jones Street Raleigh, NC 27403
John Sparrow	OSBM



VISITOR REGISTRATION SHEET

House Cmte on Pensions & Retirement 14 APR 2015
 Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Adam Pridemore	NCRSA
Rep Ken Goodman	NC GA
Sarah Collins	NCLM
Chris Aguer	DOT
Tony Shinn	DST
Fay Presnell	NC RSP
Alex Knapp	PENC
Jackson Coersot	NSF
Andrew Holton	DST
Sam Watts	DST
Steve Toole	DST



House Committee on Pensions and Retirement
Tuesday, April 21, 2015 at 10:00 AM
Room 425 of the Legislative Office Building

MINUTES

The House Committee on Pensions and Retirement met at 10:00 AM on April 21, 2015 in Room 425 of the Legislative Office Building. Representatives McNeill, Representative Michaux, Representative L. Bell, Representative, Representative Brown, Representative Elmore, Representative Gill, Representative Holley, Representative Hurley, Representative Langdon and Representative Waddell attended.

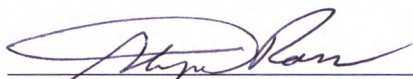
Representative Stephen M. Ross, Chair, presided. The Chair introduced the sergeant at arms and pages to the committee. Representative Ross called Rep. McNeill and Representative Jason Saine to explain. **HB 331 Sheriffs' Supp. Pension Fund/Sick Leave. (Representatives Saine, Setzer) and HB 385 Increase Sheriffs' Supp. Pension Court Cost. (Representatives McNeill, Presnell, Shepard, Waddell).** A Proposed Committee Substitute was introduced by the bill sponsors and motioned by Representative Waddell, seconded by Representative Langdon. After a brief discussion, Representative Michaux motioned for an unfavorable to the original bill, favorable to the PCS, with a serial referral to the Finance Committee. Representative Holley seconded the motion.

HB 616 Local Governmental Employees' Retirement. COLA was presented by Representative McNeill. Representative Langdon motioned for a favorable report with a serial referral to Appropriations. Representative Waddell seconded the motion.

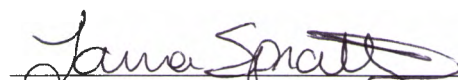
HB 276 Agency Participation Procedures Act of 2015.-AB was presented by Representatives Ross. Representative Ross submitted a Proposed Committee Substitute, which was motioned by Representative Langdon and seconded by Representative Gill. After a brief discussion, Representative Waddell moved for an unfavorable to the original bill and favorable to the PCS. The motion was seconded by Representative Gill.

There being no further business, Representative Ross adjourned the meeting at 10:30AM.

Respectfully submitted,



Representative Stephen M. Ross, Chair
Presiding



Laura Spratley, Committee Clerk



House Committee on Pensions and Retirement

(Name of Committee)

[illegible]



**House Committee on Pensions and Retirement
Tuesday, April 21, 2015, 10:00 AM
425 Legislative Office Building**

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
HB 276	Agency Participation Procedures Act of 2015.-AB	Representative Ross Representative Gill Representative Goodman Representative McNeill
HB 331	Sheriffs' Supp. Pension Fund/Sick Leave.	Representative Saine Representative Setzer
HB 385	Increase Sheriffs' Supp. Pension Court Cost.	Representative McNeill Representative Presnell Representative Shepard Representative Waddell
HB 616	Local Governmental Employees' Retire. COLA.	Representative McNeill

Adjournment



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

PENSIONS AND RETIREMENT COMMITTEE REPORT

Representative Allen McNeill, Co-Chair

Representative Stephen M. Ross, Co-Chair

FAVORABLE AND RE-REFERRED

HB 616 Local Governmental Employees Retire. COLA.
Draft Number: None
Serial Referral: **APPROPRIATIONS**
Recommended Referral: None
Long Title Amended: No
Floor Manager: Ross

FAVORABLE COM SUB , UNFAVORABLE ORIGINAL BILL

HB 276 Agency Participation Procedures Act of 2015.-AB
Draft Number: H276-PCS20316-RO-4
Serial Referral: None
Recommended Referral: None
Long Title Amended: No
Floor Manager: Ross

FAVORABLE COM SUB , UNFAVORABLE ORIGINAL BILL AND RE-REFERRED

HB 385 Increase Sheriffs Supp. Pension Court Cost.
Draft Number: H385-PCS10348-SH-17
Serial Referral: **FINANCE**
Recommended Referral: None
Long Title Amended: Yes
Floor Manager: Ross

TOTAL REPORTED: 3



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HOUSE BILL 276: Agency Participation Procedures Act of 2015.

2015-2016 General Assembly

Committee: House Pensions and Retirement
Introduced by: Reps. Ross, Gill, Goodman, McNeill
Analysis of: PCS to First Edition
H276-CSRO-4

Date: April 20, 2015
Prepared by: Karen Cochrane-Brown
Committee Counsel

SUMMARY: *The Proposed Committee Substitute for House Bill 276 does the following:*

- *Creates a new procedure for charter schools to participate in the Teachers' and State Employees' Retirement System.*
- *Directs the Fiscal Research Division to obtain estimate of withdrawal liability for actuarial note on bills that remove an agency from the Retirement System.*
- *Establishes process and payment calculation for agencies withdrawing from the Retirement Systems.*
- *Establishes the priority for use of reserved funds in the event of dissolution of a charter school.*
- *Prohibits granting prior service to new agencies in the Local Governmental Employees Retirement System.*

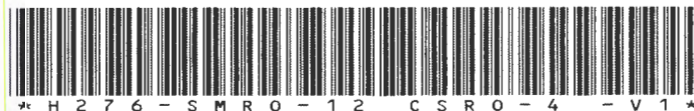
BILL ANALYSIS:

Section 1 of the bill creates a new procedure for charter schools to participate in the Retirement System by removing the 30-day time limit for charter schools to elect to participate and authorizing the Board of Trustees to approve applications from charter schools. During the first year of operation, charter schools may participate on a provisional basis. After the first year, participation by all charter schools must be approved by the Board of Trustees based on the results of an actuarial and a financial review.

Section 2 of the bill amends the law governing actuarial notes prepared by the Fiscal Research Division in connection with bills that affect a public retirement system. This section directs the Fiscal Research Division to obtain an estimate of cost of the withdrawal liability for any agency if the bill contemplates removing the agency as a participating employer in the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System.

Section 3 establishes the procedure and payment calculation for agencies withdrawing from the System. The employer must notify its employees and the Board of Trustees, in writing, of its intent to withdraw from the System and the employer must make a lump-sum withdrawal liability payment to the Board. The amount of the payment is the maximum of \$1000 or an amount calculated using advice from the consulting actuary to reflect the employer's share of the System's unfunded accrued actuarial liability

O. Walker Reagan
Director



Research Division
(919) 733-2578

House Bill 276

Page 2

plus a risk premium to cover the increased actuarial risks for the withdrawing employer's participants until all benefits due these participants have been paid. This section adds new language to statutes governing both the TSERS and LGERS.

Section 4 amends the governing dissolution of a charter school to provide that in the event of a voluntary or involuntary dissolution of a charter school, the funds reserved for closure proceedings shall be applied to pay wages to employees, to funds owed to the Retirement System, and to funds owed to the State Health Plan, in that order.

Section 5 amends the definition of "prior service" in the Local Governmental Employees' Retirement System to disallow service rendered for an employer prior to the time the employer began participation in the Retirement System if the employer's participation began on or after August 1, 2015.

Section 6 limits the requirement that during the first year of his or her employer's participation in the Retirement System, an employee must file a statement of all service rendered to the employer prior to the date of participation in the Retirement System, to employers that began participation in the System prior to November 1, 2015.

EFFECTIVE DATE: This act becomes effective January 1, 2016.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

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HOUSE BILL 276
PROPOSED COMMITTEE SUBSTITUTE H276-CSRO-4 [v.3]

4/20/2015 5:34:18 PM

Short Title: Agency Participation Procedures Act of 2015.

(Public)

Sponsors:

Referred to:

March 19, 2015

A BILL TO BE ENTITLED
AN ACT TO ENACT THE AGENCY PARTICIPATION PROCEDURES ACT OF 2015.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-5.3 reads as rewritten:

"§ 135-5.3. Optional participation for charter schools operated by private nonprofit corporations.

(a) ~~The board of directors of each charter school operated by a private nonprofit corporation shall elect whether to become a participating employer in the Retirement System in accordance with this Article. This election shall be in writing, shall be made no later than 30 days after this section becomes law, and shall be filed with the Retirement System and with the State Board of Education. For each charter school employee who is employed on or before the date the board makes the election to participate, membership in the System is effective as of the date the board makes the election to participate. For each charter school employee who is employed after the date the board makes the election, membership in the System is effective as of the date of that employee's entry into eligible service. This subsection applies only to charter schools that received State Board of Education approval under [former] G.S. 115C-238.29D in 1997 or 1998.~~

(b) ~~No later than 30 days after both parties have signed the written charter under G.S. 115C-218.15, the board of directors of a charter school operated by a private nonprofit corporation shall elect whether to become a participating employer in the Retirement System in accordance with this Article. This election shall be in writing and filed with the Retirement System and with the State Board of Education and is effective for each charter school employee as of the date of that employee's entry into eligible service. This subsection applies to charter schools that receive State Board of Education approval under [former] G.S. 115C-238.29D [or G.S. 115C-218.5] after 1998.~~

(b1) The board of directors of a charter school operated by a private nonprofit corporation and that has received State Board of Education approval under G.S. 115C-218.5 may elect to become a participating employer in the Retirement System in accordance with this Article.

(b2) A charter school desiring to participate in the Retirement System shall file with the Board of Trustees an application for participation on a form approved by the Board of Trustees. In the application, the charter school shall agree to make the contributions required of participating employers, to deduct from the salaries of employees who may become members the contributions required of members under this Chapter, and to transmit the contributions to the Board of Trustees. The charter school shall also agree to make the employer's contributions



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1 for the participation in the Retirement System of all employees entering the service of the
2 employer, after the charter school's participation begins, who shall become members.

3 (b3) A charter school seeking to become a participating employer in the Retirement
4 System prior to the end of the initial year of operation shall be granted provisional entry into
5 the Retirement System for one year. In the event the employee or employer contributions
6 required under G.S. 135-8(f) of the General Statutes are not received by the date set by the
7 board of Trustees, the Board of Trustees may revoke the charter school's provisional entry into
8 the Retirement System. One year after the charter school was granted provisional entry into the
9 Retirement System, the charter school shall undergo an actuarial and financial review as
10 required by the Board of Trustees.

11 (b4) A charter school seeking to become a participating employer in the Retirement
12 System after the end of the initial year of operation shall undergo an actuarial and financial
13 review as required by the Board of Trustees prior to entry into the System.

14 (b5) The actuarial review will result in an estimate of the amount of the withdrawal
15 liability that would be required under G.S. 135-8(i) of the General Statutes to cease
16 participation in the System after 5 years and the amount that would be required to cease
17 participation after 10 years. The cost of this actuarial review shall be paid by the charter school
18 and shall not exceed two thousand five hundred dollars (\$2,500). A charter school that was
19 granted provisional entry into the Retirement System shall not be required to pay the cost of
20 this actuarial review, and this cost may be classified as costs of administering investment
21 programs under G.S. 147-69.3 of the General Statutes.

22 (b6) The financial review will be based on financial statements and independent audit
23 reports held by the Local Government Commission or functionally equivalent financial
24 statements and independent audit reports submitted to the Board of Trustees by the charter
25 school.

26 (b7) The Board of Trustees may grant final approval of the application if it finds the
27 following:

28 (1) The application meets the requirements set out in this Article.

29 (2) All members of the board of directors of the charter school have signed a
30 written statement acknowledging and accepting the estimate provided under
31 subsection (b5) of this section and the provisions of G.S. 135-8(i).

32 (3) The charter school has not been identified as inadequate by the State Board
33 of Education as provided in G.S. 115C-218.95(b).

34 (4) The charter school's most recent audited financial statements and
35 independent audit report demonstrate that it is financially sound and can
36 meet the financial obligations of participation in the Retirement System.

37 (b8) Upon acceptance by the Board of Trustees of the application to become a
38 participating employer, the charter school shall be a fully participating employer in the
39 Retirement System. The Board may make the final decision for acceptance of the application
40 contingent upon the receipt of a financially sound independent audit report for the fiscal year
41 ending prior to acceptance of the application.

42 (b9) For each charter school employee who is employed on or before the date the charter
43 school is granted entry into the System, membership in the System is effective as of the date of
44 entry. For each charter school employee who is employed after the date the charter school is
45 granted entry into the System, membership in the System is effective as of the date of that
46 employee's entry into eligible service. Provisional entry is considered entry into the System for
47 the purpose of this subsection.

48 (c) A charter school board's election to become a participating employer in the
49 Retirement System under this section is irrevocable and shall require all eligible employees of
50 the charter school to participate.

(d) No retirement benefit, death benefit, or other benefit payable under the Retirement System shall be paid by the State of North Carolina or the Board of Trustees of the Teachers' and State Employees' Retirement System on account of employment with a charter school with respect to any employee, or with respect to any beneficiary of an employee, of a charter school ~~whose board of directors does not elect to become~~ that is not a participating employer in the Retirement System ~~under this section.~~ System.

(e) The board of directors of each charter school shall notify each of its employees as to whether the board elected to become a participating employer in the Retirement System under this section. This notification shall be in writing and shall be provided within 30 days of the board's election or at the time an initial offer for employment is made, whichever occurs last. If the board did not elect to join the Retirement System, the notice shall include a statement that the employee shall have no legal recourse against the board or the State for any possible credit or reimbursement under the Retirement System. The employee shall provide written acknowledgment of the employee's receipt of the notification under this subsection.

(f) The board of directors of a charter school may elect to cease participation in the Retirement System for all of its employees by following the procedure in G.S. 135-8(i) of the General Statutes."

SECTION 2.(a). The catch-line of G.S. 120-114 reads as rewritten:

"§ 120-114. Actuarial ~~notes~~ notes; Retirement System advisory letters and cost estimates."

SECTION 2.(b). G.S. 120-114 is amended by adding a new subsection to read:

"(f) In addition to the other requirements of this section, if a bill or resolution contemplates removing a public agency as a participating employer from the Teacher's and State Employees' Retirement System or the Local Governmental Employees Retirement System, the Fiscal Research Division shall obtain an estimate of cost of the withdrawal liability the agency would owe under procedures established by the Boards of Trustees of the Retirement Systems."

SECTION 3.(a) G.S. 135-8 is amended by adding a new subsection to read:

"(i) Procedure and Payment to Cease Participation. – Any employing unit that is allowed to cease participation in the Retirement System by the General Assembly or as otherwise provided in this Chapter, through its governing body, may declare its intent to withdraw completely from the Retirement System as follows:

(1) The employer shall notify its employees and the Board of Trustees, in writing, of its action. An employer shall automatically be considered to have requested a complete withdrawal from the System the date the employer permanently ceases to employ active members. A withdrawing employer shall be required to make a lump-sum withdrawal liability payment to the Board of Trustees as provided by this section.

(2) Complete withdrawal by an employer shall be the first day of the month following the date the employer ceases to employ active members or the first day of the month following 60 days from the date the Board receives the employer's written request to withdraw. However, the complete withdrawal date shall not occur before the withdrawal liability is determined, as provided in subdivision (5) of this subsection.

(3) After complete withdrawal, all employees of the withdrawing employer shall be ineligible to accrue future benefits with the System due to employment with the withdrawing employer. The withdrawing employer shall be ineligible to elect to become a participating employer in the Retirement System, as provided in G.S. 135-5.3 of the General Statutes for 5 years after its complete withdrawal date.

- (4) All active or inactive members of the employer shall be eligible for benefits accrued with the System up to the complete withdrawal date. However, no retirement allowance or return of accumulated contributions shall be paid until the member actually terminates employment and completely separates from active service with the withdrawing employer, and there is no intent or agreement, express or implied, to return to service with the withdrawing employer.
- (5) On the date of complete withdrawal, the withdrawal liability of an employer is the maximum of one thousand dollars (\$1,000) or the amount determined by a. multiplied by the ratio of b. to c., as follows:
- a. The excess of the actuarial present value of the vested accrued benefits of the System's members over the market value of its assets, both as of the date of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date based on the plan provisions and actuarial assumptions used in the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date, except the interest rate assumption shall be reduced by an amount determined by the consulting actuary to reflect the increased investment, mortality and other actuarial risk for the exiting agency's participants.
- b. The total present value of accrued benefits of all active members of the withdrawing employer as of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date.
- c. The total present value of accrued benefits of all active members of the System as of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date.
- (6) The actuarial costs to determine the amount described in subdivision (5) of this subsection shall be paid by the withdrawing employer. An employer that does not pay the lump-sum withdrawal liability payment described in subdivision (5) of this subsection and the actuarial costs to determine this withdrawal liability within 90 days of the complete withdrawal date will continue to be a participating employer. No withdrawal liability payment shall be required if an employer exits before the end of the first year following the date of participation or if the Board revokes entry as provided in G.S. 135-5.3(b8) of the General Statutes.
- (7) Upon the complete withdrawal of the employer, the System shall have no further legal obligation to the employer or its employees, nor shall the system be held accountable for the continued future accrual of any retirement benefit rights to which the employees may be entitled beyond the complete withdrawal date. Any litigation regarding the forfeiture of any benefits because of the employer's complete withdrawal from the System shall be the sole legal responsibility of the withdrawing employer and the withdrawing employer shall indemnify and hold harmless the System, its Board of Trustees, its employees and the State of North Carolina, from any claims, losses, costs, damages, expenses, and liabilities, including without limitation, court costs and reasonable attorney's fees, asserted by any person or entity as a result of the employer's withdrawal from the System."

SECTION 3.(b) G.S. 128-30 is amended by adding a new subsection to read:

"(i) Procedure and Payment to Cease Participation. – Any employing unit that is allowed to cease participation in the Retirement System by the General Assembly shall do the following:

- (1) The employer shall notify its employees and the Board of Trustees, in writing, of its action. A withdrawing employer shall be required to make a lump-sum withdrawal liability payment to the Board of Trustees as provided by this section.
- (2) Complete withdrawal by an employer shall be the first day of the month following the date the Board receives the employer's written notification. However, the complete withdrawal date shall not occur before the withdrawal liability is determined, as provided in subdivision (5) of this subsection.
- (3) After complete withdrawal, all employees of the withdrawing employer shall be ineligible to accrue future benefits with the System due to employment with the withdrawing employer.
- (4) All active or inactive members of the employer shall be eligible for benefits accrued with the System up to the complete withdrawal date. However, no retirement allowance or return of accumulated contributions shall be paid until the member actually terminates employment and completely separates from active service with the withdrawing employer, and there is no intent or agreement, express or implied, to return to service with the withdrawing employer.
- (5) On the date of complete withdrawal, the withdrawal liability of an employer is the maximum of one thousand dollars (\$1,000) or the amount determined by a. multiplied by the ratio of b. to c., as follows:
- a. The excess of the actuarial present value of the vested accrued benefits of the System's members over the market value of its assets, both as of the date of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date based on the plan provisions and actuarial assumptions used in the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date, except the interest rate assumption shall be reduced by an amount determined by the consulting actuary to reflect the increased investment, mortality and other actuarial risk for the exiting agency's participants.
- b. The total present value of accrued benefits of all active members of the withdrawing employer as of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date.
- c. The total present value of accrued benefits of all active members of the System as of the last actuarial valuation adopted by the Board of Trustees prior to the complete withdrawal date.
- (6) The actuarial costs to determine the amount described in subdivision (5) of this subsection shall be paid by the withdrawing employer. An employer that does not pay the lump-sum withdrawal liability payment described in subdivision (5) of this subsection and the actuarial costs to determine this withdrawal liability within 90 days of the complete withdrawal date will continue to be a participating employer.
- (7) Upon the complete withdrawal of the employer, the System shall have no further legal obligation to the employer or its employees, nor shall the System be held accountable for the continued future accrual of any retirement benefit rights to which the employees may be entitled beyond the complete withdrawal date. Any litigation regarding the forfeiture of any benefits because of the employer's complete withdrawal from the System shall be the sole legal responsibility of the withdrawing employer and the

1 withdrawing employer shall indemnify and hold harmless the System, its
2 Board of Trustees, its employees and the State of North Carolina, from any
3 claims, losses, costs, damages, expenses, and liabilities, including without
4 limitation, court costs and reasonable attorney's fees, asserted by any person
5 or entity as a result of the employer's withdrawal from the System."

6 **SECTION 4.** G.S. 115C-218.100 is amended by adding a new subsection to read:

7 "(a1) In the event of a voluntary or involuntary dissolution of the charter school, the funds
8 reserved for closure proceeding in subsection (a) of this section shall be used to pay wages
9 owed to charter school employees, funds owed to the North Carolina Retirement System
10 pursuant to G.S. 135-8 of the General Statutes, and funds owed to the State Health Plan, in that
11 order. Other expenses shall be paid from the remaining balance in the funds reserved for
12 closure proceeding in subsection (a) of this section."

13 **SECTION 5.** G.S. 128-21 reads as rewritten:

14 **"§ 128-21. Definitions.**

15 The following words and phrases as used in this Article, unless a different meaning is
16 plainly required by the context, shall have the following meanings:

17 ...

18 (17) "Prior service" shall mean the service of a member rendered before the date
19 he becomes a member of the System, certified on his prior service certificate
20 and allowable as provided by G.S. 128-26. No prior service shall be allowed
21 at any employer for which participation is adopted and approved by the
22 Board of Trustees in this Retirement System on or after August 1, 2015.

23 ..."

24 **SECTION 6.** G.S. 128-26(a) reads as rewritten:

25 "(a) Each person who becomes a member during the first year of his or her employer's
26 participation, if and only if that participation begins prior to November 1, 2015, and who was
27 an employee of the same employer at any time during the year immediately preceding the date
28 of participation, shall file a detailed statement of all service rendered by him or her to that
29 employer prior to the date of participation for which he or she claims credit."

30 **SECTION 7.** This act becomes effective January 1, 2016.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note Retirement Benefits

BILL NUMBER: House Bill 276 (First Edition)

SHORT TITLE: Agency Participation Procedures Act of 2015.-AB

SPONSOR(S): Representatives Ross, Gill, Goodman, and McNeill

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts for TSERS; local government funds for LGERS

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS) and Local Governmental Employees' Retirement System (LGERS).

BILL SUMMARY:

House Bill 276 (First Edition) makes several changes to laws governing how charter schools and local governments begin or stop participating in TSERS and LGERS.

Section 1: Modifies the provisions for a charter school to elect to join TSERS and permits a charter school to stop participating in TSERS. Currently charter schools are only allowed to join in the first 30 days after signing the charter. The bill allows charter schools to join at any time, but requires a charter school to undergo an actuarial, financial, and legal review by the Board of Trustees prior to joining. Currently charter schools are not allowed to stop participating, unless they cease to exist as a charter school. The bill allows charter schools to stop participating in TSERS, but requires the charter school to first notify its employees and the Retirement System and pay a withdrawal liability.

Section 2: Requires the Fiscal Research Division of the General Assembly to obtain an advisory letter from the Attorney General for any bill that would allow an employer to join TSERS or LGERS and an estimate of the withdrawal liability for any bill that would allow a unit to cease participation in TSERS or LGERS. The advisory letter would assess whether the employer is eligible to participate.

Section 3: Imposes a lump sum withdrawal liability in both TSERS and LGERS equal to the actuarial present value of the additional liabilities imposed upon the System by the withdrawal of the unit, as determined by the System's consulting actuary.

EFFECTIVE DATE: July 1, 2015

ESTIMATED IMPACT ON STATE:

Buck Consultants, the actuary for the Retirement Systems, estimates that the bill will not impact the contribution rates of TSERS or LGERS, assuming that the withdrawal liability covers the withdrawing employer's unfunded liability plus a risk premium.

Hartman & Associates, the actuary for the General Assembly, estimates that the bill will have no current financial impact on TSERS or LGERS and notes that the withdrawal liability provision prevents the cost of a withdrawing employer from being shifted to the remaining employers.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2013 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2013 unless otherwise noted, M = millions)		
	TSERS	LGERS
Active Members		
Count	310,370	123,455
General Fund Compensation	\$9,914M	
Valuation Compensation (Total)	\$13,608M	\$5,556M
Average Age	45	44
Average Service	10.6	10.3
Inactive Members		
Count	125,513	50,998
Retired Members		
Count	187,448	57,405
Annual Benefits	\$3,871M	\$1,039M
Average Age	70	68
New Retirees During 2014	11,500	4,400

Financial Statistics (as of 12/31/2013 unless otherwise noted, M = millions)		
	TSERS	LGERS
Accrued Liability (AL)	\$65,806M	Not meaningful
Actuarial Value of Assets (AVA)	\$62,364M	\$21,498M
Market Value of Assets (MVA)	\$62,789M	\$21,784M
Unfunded Accrued Liability (AL - AVA)	\$3,442M	Not meaningful
Funded Status (AVA / AL)	95%	Not meaningful
Annual Required Contribution (ARC) for FY 2015-16 (as % of pay)	8.69%	6.52% (non-LEO)
Assumed Rate of Investment Return	7.25%	7.25%
Salary Increase Assumption (includes	4.25% - 9.10%	4.25% - 8.55%

3.50% inflation and productivity)		
Cost Method	Entry Age Normal	Frozen Entry Age
Amortization	12 year, closed, flat \$	Not applicable
Demographic assumptions based on 2005-2009 experience, RP-2000 mortality with age adjustments, and projection of future mortality improvement with scale AA		

Benefit Provisions		
	TSERS	LGERS
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5
Employee contribution (as % of pay)	6%	6%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Agency Participation Procedures Act of 2015 (House Bill 276)", March 27, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 276: An Act to Enact the Agency Participation Procedures Act of 2015", March 26, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide

APPROVED BY:

Mark Trogon, Director
Fiscal Research Division

DATE: April 1, 2015



Signed Copy Located in the NCGA Principal Clerk's Offices





JANET COWELL
TREASURER

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

STEVE TOOLE
RETIREMENT SYSTEMS DIRECTOR

***Briefing Packet
for
Agency Participation
Procedures Act of 2015 – HB 276 (PCS)***

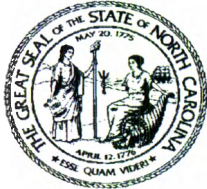
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Brief Bill Summary

- Removes the 30-day window for all charter schools to elect to participate in the Retirement System and provides that the retirement Board of Trustees will require financial and actuarial reviews before agencies are allowed to become participating employers.
- Requires any agency exiting the Retirement Systems that has participated in the Retirement System for more than one year to pay a withdrawal liability before exiting.
- Requires the Fiscal Research Division to obtain an estimate of the cost of the applicable withdrawal liability for any legislation that would remove an agency from the System.
- Provides that, in the event of a voluntary or involuntary dissolution of a charter school, certain funds reserved for closure proceedings shall be used to pay wages owed to charter school employees, funds owed to the Retirement System, and funds owed to the State Health Plan, in that order.
- Disallows the granting of retirement service credits for years that employees worked at a local government agency before the agency joined the Local Governmental Employees Retirement System. This prohibition applies to agencies that join the system after August 1, 2015 and does not impact agencies that have already applied to join.

Prepared by Retirement Systems Division staff, April 20, 2015



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

JANET COWELL
TREASURER

STEVE TOOLE
RETIREMENT SYSTEMS DIRECTOR

Agency Participation Procedures Act of 2015 – HB 276 (PCS)

This act revises the procedures for entry to and exit from the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS) by public agencies in order to protect the fiscal integrity of the systems.

Statutes Affected: G.S. 115C-218.100; 120-114(f) & (g) (*proposed*); 135-5.3; 135-8(i) (*proposed*); 128-21(17); 128-26(a); 128-30(i) (*proposed*)

Primary Sponsors: Ross, Gill, Goodman, and McNeill

Cost: The legislation does not materially increase or decrease costs or liabilities of the Retirement Systems

Type of Bill: Public Bill

SECTION ONE: Remove Barriers to Participation for Charter Schools

This section removes the 30-day window for all charter schools to elect to participate in TSERS and requires the board of directors of an entering charter school to adopt a written resolution acknowledging acceptance of the terms and conditions of membership, including the exit procedures in Section Three of this legislation. The Board of Trustees may approve entry for charter schools that have been in operation for more than one year based on the results of an actuarial and financial review. Currently, those schools have to seek legislative approval to enter the Retirement System. Charter schools may participate in the Retirement System during their first year of operation on a provisional basis and must be approved by the Board of Trustees to continue in the system after that year based on the results of an actuarial and financial review.

SECTION TWO: Require Review Prior to Changing Employer Participation in TSERS or LGERS

This section requires the Fiscal Research Division to obtain an estimate of the cost of the applicable withdrawal liability for any legislation that would remove an agency from TSERS or LGERS.

SECTION THREE: Require Payment of Withdrawal Liability for an Exiting Agency

This section requires any agency exiting the Retirement Systems that has participated in TSERS or LGERS for more than one year to pay a withdrawal liability before exiting. This withdrawal liability is determined by the Boards of Trustees on advice of the consulting actuary to reflect the exiting agency's share of the System's unfunded accrued actuarial liability plus a risk premium that covers the investment, mortality and other actuarial risk for the exiting agency's participants until all benefit obligations for these participants have been paid.

SECTION FOUR: Use Dissolution Bond Funds for Unpaid Invoices from Retirement System

This section provides that in the event of a voluntary or involuntary dissolution of a charter school, certain funds reserved for closure proceeding shall be used to pay wages owed to charter school employees, funds owed to the North Carolina Retirement System and funds owed to the State Health Plan, in that order.

SECTION FIVE: Prohibit Granting Prior Service to New Agencies in Local Government System

This section disallows the granting of retirement service credits for years that employees worked at a local government agency before the agency joined the Local Governmental Employees Retirement System. This prohibition applies to agencies that join the system after August 1, 2015 and does not impact agencies that have already applied to join.

SECTION SIX: Effective Date

Unless otherwise noted, this act becomes effective January 1, 2016

Prepared by Retirement Systems Division staff, April 20, 2015

CHARTER SCHOOLS UNDER H-276 (PCS)

New Charter School (in operation for less than one school year)

NOTIFICATION OF ELECTION TO JOIN RETIREMENT SYSTEM

- No 30-day window
- **Automatic provisional affiliation for one year upon notification of election to join**
- May be removed for late payment or failure to submit contributions
- May choose to leave the Retirement Systems at any time prior to full affiliation

[AFTER ONE YEAR]

Financial & Actuarial Review to evaluate stability and risk to the Retirement Systems

- Determination of withdrawal liability
- Acknowledgement and acceptance of withdrawal liability

Vote by Board of Trustees to grant or deny **full affiliation** with the Retirement Systems

Existing Charter School (in operation for more than one school year)

NOTIFICATION OF ELECTION TO JOIN RETIREMENT SYSTEM

- Charter school notifies Board of Trustees of intent to join Retirement System
- Financial & Actuarial review to evaluate stability and risk to the Retirement Systems
- Determination of withdrawal liability
- Acknowledgement and acceptance of withdrawal liability

Vote by Board of Trustees to grant or deny **full affiliation** with Retirement System



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

JANET COWELL
TREASURER

STEVE TOOLE
RETIREMENT SYSTEMS DIRECTOR

Administrative Difficulties with Charter Schools in the Retirement System

I. STATUS QUO:

- Charter schools have 30 days after obtaining a charter from the State Board of Education to notify the Retirement System that they wish to participate in the state Retirement System
 - Admission is automatic – no votes required by Legislature or Board of Trustees, even though appropriated state resources will be used to provide administrative services
 - No legal, financial, or actuarial reviews are required
 - NC is only state that imposes a 30-day deadline for admission
 - States where charter schools' participation in the retirement systems is optional typically require schools to apply for admission
- Admission to the Retirement System is irrevocable
- Legislature may remove agencies from the System, but this creates an unfunded mandate on all other agencies in the system to pay for cost of liabilities left behind

II. ADMINISTRATIVE PROBLEMS LINKED TO CURRENT LAW:

- Forty percent (40%) of charter schools in the Retirement System (27 out of 69 schools) have received penalties for submitting late payments of retirement contributions. For comparison, only about 15 to 20% of all other agencies participating in the Retirement System have submitted late payments.
 - This represents a significantly worse payment history compared to all other agencies
 - On-time payment of retirement contributions is essential for maintaining predictability of the State's cash flow, which minimizes the need for unplanned liquidation of investments
 - If an agency fails to forward withholdings from employee paychecks, it can trigger criminal investigation (*e.g., see page 6 of audit of Kinston Charter Academy*)
- Three of the 69 schools have received between 5 and 10 penalties each
- Three schools have incurred more than 20 late payment penalties each
- Nineteen out of 69 schools (28%) have had difficulty accurately reporting employees' creditable membership service rendered (i.e., service creditable to employees' retirement benefit)
 - Ten instances of improper reporting from these 19 schools span multiple years or represent several distinct occurrences of improper reporting
 - Seven of these 19 instances of improper reporting, some of which date back more than 4 years, remain unresolved,
 - An agency's late submission of service credit can delay the processing of retirement applications from any employee who has ever worked at the agency and lead to inaccurate calculation of retirement benefits and overpayments
- A review of the budget and financial information submitted as a part of applications to obtain charters from the State Board of Education for the previous two years reveals the following information:
 - That for 11 schools being allowed to open this fall, 4 indicated they wish to join the Retirement System, but 3 of those 4 failed to factor the full costs of participation in the budgets submitted to the Dept. of Public Instruction. Another indicated a desire to join the Retirement System when they have been operating for three years.
 - For schools allowed to open last fall, 5 originally indicated they wish to join the Retirement System, 2 of those 5 failed to factor budget costs properly.

III. PROPOSAL:

- State Board of Trustees would vote to admit charter schools
 - Allowing the Board of Trustees to choose to admit agencies would protect the tax status and fiscal integrity of the Retirement System and would be consistent with the Board's fiduciary responsibility
 - Removing the 30-day barrier would also provide an opportunity for existing charter schools that missed the statutory window to join the Retirement System, subject to Board approval
- Application process would require legal, financial, and actuarial reviews
 - The 30-day window for admission does not provide newly started charter schools sufficient time to make an informed decision on whether to join the Retirement System – a decision that is irrevocable and that requires assuming a substantial recurring expense
 - Financial and actuarial reviews would provide more information to the schools and to the Board of Trustees prior to the agency's entry into the System
- Charter schools could exit Retirement System by paying a withdrawal liability
 - Allowing charter schools to disaffiliate from the System upon payment of a withdrawal liability is consistent with charter schools' need for flexibility without imposing additional unfunded liabilities
 - Upon admission, schools would acknowledge responsibility for the withdrawal liability
 - Modeled after withdrawal concept used in some private-sector plans and in many states
- Legislative Staff would be required to include the cost of the withdrawal liability in fiscal notes for all bills that would remove agencies from the Retirement System
 - Increases the transparency of the unforeseen costs imposed on the state when an agency withdraws from the system

CASE STUDIES OF SOME CHARTER SCHOOLS WITH DIFFICULTIES:

Kinston Charter Academy

- Kinston Charter surrendered its charter in September 2013
- State Auditor issued a report in January 2015 detailing a number of violations and referring certain findings to the local District Attorney and the State Bureau of Investigation
- Prior to the school's closing, the Retirement System penalized Kinston Charter Academy 20 times in four years for late payment of retirement contributions, amounting to a total of \$4,900 in penalties on \$379,000 in late contributions. Of those late contributions, \$120,000 were funds withheld from employees' paychecks.
- The school provided signed statements to the Retirement System from employees purportedly waiving rights to timely transfer of funds to the retirement system. Those signed statements were inconsistent with the school's statutory duty to transfer those funds to the retirement system. *[N.C.G.S. 135-8(f)]*
- The agency was in arrears with the retirement system for 23 months in four years.
- The school still had multiple outstanding late payment penalty invoices when it closed.
- When the agency closed in September, it had failed to submit contributions and complete service records for July, August, and September 2013.
 - The agency owes \$10,717 in employer contributions for the month of July 2013 and approximately \$4,500 in employee contributions. Additionally, a \$147 penalty for late payment remains unpaid.
 - There may be additional funds owed for August and September 2013 when the school officially closed, but no service records were ever submitted.

SEGS Academy

- Opened in the fall of 2013 and has already received a late payment penalty.
- State Board of Education voted to revoke charter and school closed effective April 1, 2015.

Downtown Middle School/STEAM Academy

- State charter revoked in April 2013
- Ceased reporting contributions without notifying Retirement System of status change

Wilmington Prep Academy

- Has received 38 late payment penalties

Prepared by Retirement Systems Division staff, April 15, 2015

**Late Payments and Service Reporting Problems with N.C. Charter Schools
Participating in the State Retirement System**

Name of Charter School	Late Payment Penalties	Service Reporting Problems
A CHILDS GARDEN CHARTER (AKA CROSS CREEK CHARTER)		Yes
ACADEMY OF MOORE COUNTY	1	
AMERICAN RENAISSANCE MID SCHOOL		
AMERICAN RENAISSANCE SCHOOL		
ANN ATWATER COMMUNITY CHARTER	N/A	
ARAPAHOE CHARTER SCHOOL		Yes
ARTS & BASICS CHARTER SCHOOL	N/A	
ARTS BASED ELEMENTARY CHARTER		
BEAR GRASS CHARTER SCHOOL		
BETHANY COMMUNITY MIDDLE SCHOOL		Yes
BREVARD ACADEMY CHARTER SCHOOL	1	
BRIDGES CHARTER SCHOOLS	0	Yes
CAPE FEAR CTR FOR INQUIRY		Yes
CAPE LOOKOUT MARINE SCIENCE H.S.	10	
CAROLINA INTERNATIONAL SCHOOL		
CASA ESPERANZA MONTESSORI		
CENTRAL PARK SCH FOR CHILDREN	5	Yes
CHARLOTTE SECONDARY CHARTER		
CHILDRENS VILLAGE ACADEMY	24	
CLOVER GARDEN CHARTER SCHOOL		
COMMUNITY CHARTER SCHOOL	1	
COMMUNITY SCHOOL OF DAVIDSON	1	
CORNERSTONE ACADEMY	1	
CORVIAN COMMUNITY CHARTER SCHOOL	3	
DOWNTOWN MIDDLE (AKA STEAM ACADEMY)	1	
EAST WAKE ACADEMY		
ENDEAVOR CHARTER SCHOOL		
ENTREPRENEUR CHARTER HIGH SCHOOL		
EVERGREEN COMMUNITY CHARTER SCHOOL	1	Yes
F DELANY NEW SCHOOL FOR CHILDREN		Yes
GASTON COLLEGE PREPARATORY CHARTER		
GRANDFATHER ACADEMY	5	
GRAY STONE DAY SCHOOL	1	
HALIWA-SAPONI TRIBAL CHARTER		
HARNETT EARLY CHILDHOOD CHARTER		
HEALTHY START ACADEMY	1	
HENDERSON COLLEGIATE CHARTER SCHOOL		
INVEST COLLEGIATE CHARTER (BUNCOMBE)		
INVEST COLLEGIATE CHARTER (DAVIDSON)		
KENNEDY CHARTER		Yes
KINSTON CHARTER ACADEMY	20	Yes
KIPP CHARLOTTE CHARTER		Yes
KIPP HALIFAX COLLEGE PREP CHARTER		
LAKE NORMAN CHARTER SCHOOL		Yes
MILLENNIUM CHARTER ACADEMY		
MOUNTAIN COMMUNITY 34501SCHOOL	1	Yes
MTN DISCOVERY CHARTER	1	
N.E. REGIONAL SCHOOL FOR BIOTECHNOLOGY	1	
NEUSE CHARTER SCHOOL		Yes
ORANGE CHARTER SCHOOL		Yes
PACE ACADEMY		
PINE LAKE PREP CHARTER		
PINNACLE CLASSICAL ACADEMY		
PIONEER SPRINGS COMMUNITY CHARTER		
RIVER MILL ACADEMY CHARTER	1	
SCHOOL IN THE COMMUNITY	N/A	
SEGS ACADEMY	1	
SOCRATES ACADEMY		
SOUTHEASTERN ACADEMY CHARTER SCHOOL		
SOUTHERN WAKE ACADEMY	1	
STARS CHARTER SCHOOL	1	Yes
SUCCESS INSTITUTE	1	Yes
THE HAWBRIDGE SCHOOL	2	
TWO RIVERS COMM SCHOOL		
UWHARRIE CHARTER ACADEMY		
VANCE CHARTER SCHOOL		Yes
VOYAGER ACADEMY	6	Yes
WILMINGTON PREP ACADEMY	38	
ZECA SCHOOL OF THE ARTS AND TECHNOLOGY	2	

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SEGS Academy to voluntarily shut down operations Thursday

Posted: Apr 01, 2015 8:44 AM EDT
Updated: Apr 05, 2015 8:44 AM EDT

By: WECT Staff [CONNECT](#)

COLUMBUS COUNTY, NC (WECT) - SEGS Academy, a charter school in Columbus County, will voluntarily shut down Thursday, according to School Leader Annmarie Johnston, who said students will have to finish the school year someplace else.

Johnston said the school's board told parents about the decision during a meeting Tuesday night.

The State Board of Education [voted in March](#) to begin the process of revoking SEGS Academy's charter after a [Department of Public Instruction report](#) showed [financial issues and other serious internal problems](#). The school appealed the decision. The State Board was set to consider an appeal review panel's recommendation Thursday.

The state would have allowed the school to remain open through the end of the school year.

Eight SEGS employees sent state officials a letter March 18 stating the school was "deteriorating rapidly." The letter urged the state to close the school immediately for the benefit of the students.

"Our students are not 'bad kids' and we remind them that none of these current stresses are their fault," the letter reads. "However the level of uncertainty about this school's future has trickled down to these students, whose disruptive behaviors are escalating."

Johnston said parents who attended the meeting Tuesday told her that she and the teachers were "thrown under the bus" by the board, who blamed them for the school's problems.

Board Chair Randolph Keaton declined an interview request Wednesday.

"The school is coming apart from the inside out, and they're blaming the teachers who come here day in and day out," said Cassandra Bezio, a second grade teacher filling in with sixth and seventh graders because the school is short staffed.

"We've taken pay cuts. We've become janitors," Bezio said. "We sweep and vacuum and clean the bathrooms after school because we don't have the money to hire anyone else."

SEGS Academy has four full-time teachers and two substitutes for 87 students in kindergarten through seventh grade, according to Johnston.

She said the school was notified last week that the state would no longer pay for meals at the school. It would have cost the school \$500 a day to provide the food.

"We would have never survived financially," Johnson said.

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RECOMMENDED

by Taboola

Financial Review Report for STEM Education for a Global Society Academy

December 2014

North Carolina Department of Public Instruction
Division of School Business

EXECUTIVE SUMMARY

PURPOSE

In June 2014, the North Carolina Department of Public Instruction, Division of School Business was notified by the North Carolina State Health Plan that premium and interest payments totaling \$21,570.26 were in arrears and that the Stem Education for Global Society Academy (SEGS) was delinquent from February 1, 2014. The Division of School Business (School Business) initiated a Financial Review of SEGS' financial records for the period of July 1, 2013 through September 25, 2014.

BACKGROUND

Charter schools that are approved by the State Board of Education (SBE) are public schools within the local administrative unit in which it is located. Charter schools are publically funded and open to all students in North Carolina through a non-discriminatory admissions lottery. All charter schools shall be accountable to the SBE for ensuring compliance with applicable laws and the provisions of their charters. Pursuant to § 115C-238.29E(c) charter schools shall operate under the written charter signed by the SBE and the applicant. The board of directors of the charter school shall decide matters related to the operation of the school, including budgeting, curriculum, and operating procedures.

The Stem Education Global Society Academy (SEGS) is located in Delco, North Carolina and currently operates under its first 10-year charter. During the 2013-14 school year SEGS incurred \$587,136 in expenditures and received state funding for 68 students in grades K to 6.

The Department of Public Instruction is charged with implementing the State's public school laws and the State Board of Education's policies and procedures governing pre-kindergarten through 12th grade public education. School Business conducts evaluations, analyses, desks reviews, and on-site fiscal monitoring reviews of local education agencies and charter schools with the goal of ensuring that all children have an opportunity to obtain a high quality education and to achieve proficiency on high academic standards through better use of audits, fiscal monitoring, and technical assistance.

SCOPE AND METHODOLOGY

School Business conducted a financial review to assess whether SEGS meets generally accepted standards of fiscal managements pursuant to § 115C-238.29E and assess the school's internal controls including the policies and procedures for collecting and reporting financial data, to help ensure:

- Adequate governance over school management and operations,
- Appropriateness of the management company relationship with SEGS,
- Compliance with its charter, laws and regulations,
- Adequate supporting documentation for expenditures, and
- Adequate accounting system is maintained by the school.

To accomplish these objectives, School Business reviewed applicable laws, regulations, policies and procedures, the school's charter, interviewed SEGS management and staff, examined financial records including contracts and supporting documentation, and reviewed the school's audited financial statements for the fiscal year ended June 30, 2014.

REVIEW RESULTS

The review found that SEGS has a number of serious internal control and financial issues, including:

- SEGS has relatives on the Board and employed in administrative and staff positions in the school. Including
 - Randolph Keaton – Board Chair as of August 2014 and CEO of Men and Women United. Brother of Devoria K Berry, Executive Director of SEGS
 - Andrea Simmons, Current contracted Finance Officer and Board member. Previous Board Treasurer until August 2014. Niece of Devoria K Berry.
 - Leslie McLaurin, several contracts with the school. Niece of Devoria K Berry
- SEGS violated its own policy for employment of relatives for the following:
 - Current Executive Director Devoria K. Berry
 - Current Finance Officer Andrea Simmons, also a Board Member
 - Former Director Norwood Keaton and
 - Janitorial and Transportation services provider Leslie McLaurin
- SEGS violated its own charter, bylaws and conflict of interest policy by entering into multiple contracts with related parties that included leases, employment/consultant services, management services, transportation, and treatment programs without full disclosure to and formal approval by the Board. Entities include:
 - Community Support Agency LLC – owned and operated by Devoria Berry, Executive Director
 - Men and Women United – incorporated by Devoria Berry and CEO Randolph Keaton
- SEGS Board of Directors (Board) did not have documentation of a loan for \$200,000, nor was it approved by the Board. In the absence of adequate loan documentation, DPI could not validate if the \$200,000 was a loan from Director Devoria Berry and/or her nonprofit organization Community Support Agency LLC (CSA), or a donation from a 3rd party. Without evidence the \$200,000 originated as a loan from Devoria Berry or CSA, the repayments made to Ms. Berry and CSA potentially constitute unallowable costs totaling \$184,000.
- SEGS violated its procurement and bidding requirement policy as detailed by Andrea Simmons, Finance Officer, for the purpose of procuring goods or services. According to Ms. Simmons' statements during our interview, a minimum of two bids are obtained for evaluation when procuring goods or services. No written procurement policies and procedures exist. The policy detailed by Ms. Simmons was not adhered to for at least the following service contracts:
 - Janitorial services contract with Leslie McLaurin,
 - Transportation services contract with Leslie McLaurin,
 - Renovation services provided by Men and Women United.
- The Board failed to meet the following Generally Accepted Standards of Fiscal Management requiring that accounts payables remain current, cash flow is positive and fund, property and other assets are safeguarded against loss from unauthorized use or disposition.

A more detailed discussion of the results of the review is presented in the report.

1. SEGS CURRENT FINANCIAL SITUATION SHOWS SERIOUS SIGNS OF FINANCIAL INSOLVENCY.

Review of the school's audited financial statements for the year ending June 30, 2014 revealed the following issues:

1. Unrestricted General fund balance deficit of \$36,351.
2. Expenditures exceeded revenues by \$27,802.
3. Cash Flow concerns
4. Related party transactions.

In addition, the school was delinquent in payments to the North Carolina State Health Plan and related overdrafts in the school's bank account as referenced in the Executive Summary of this report and the August 18, 2014, Notification of Financial Noncompliance Status. Due to these signs of severe financial instability, the State has serious concerns regarding the school's financial management and its ability to meet operating expenditures in the future.

2. SEGS ENTERED INTO A "LOAN" AGREEMENT WITH THE CURRENT DIRECTOR'S NONPROFIT ORGANIZATION WITHOUT DISCLOSURE TO AND APPROVAL BY THE BOARD OR THE CREATION OF A PROMISSORY NOTE TO DOCUMENT THE SIGNIFICANT FINANCIAL OBLIGATIONS OF THE SCHOOL.

SEGS' 2014 audited financial statements' Statement of Net Position includes a \$16,000 balance for a "short-term payable – related party". The Notes to the Financial Statements for the Fiscal Year Ended June 30, 2014 state, "During the current year, the School received a loan from Community Support Services. The amount of the loan from Community Support Services was \$200,000 and payments of \$184,000 were made during the year ended June 30, 2014. The loan was used for operating capital. No interest is accruing on this short term note. The balance remains at \$16,000 as of June 30, 2014." School Business requested copies of all contracts, leases, agreements and loan documents from both the Director Devoria K. Berry and the Finance Officer Andrea Simmons during the onsite Financial Review conducted September 8 -9, 2014. No promissory note or supporting documentation for the "loan" was provided.

Review of SEGS bank statement for July 1, 2013 through July 31, 2013 identified a counter credit in the amount of \$200,000 made on July 22, 2013. Data entered into the school's ISIS accounting system identifies a deposit on July 22, 2013 for "Loan Proceeds" as the vendor in the amount of \$200,000. The school's Deposit Register for 7/1/2013 to 6/30/14 shows the \$200,000 deposit #114 into account 2.2010.000.000.000.000.02 "LOAN PAYABLE-OAKLEY/BERRY" WITH "LOAN PROCEEDS FROM W OAKLEY" entered in the Description field. In addition to her current responsibilities with SEGS, Ms. Berry is the member/manager/registered agent of the nonprofit Community Support Agency LLC (CSA), a program providing structured treatment services and also located in Delco, NC.

Review of the school's Board of Directors Meeting Minutes for the period of September 19, 2012 through September 8, 2014 found no evidence that the loan was presented to the Board for consideration or approved by a formal vote. SEGS Bylaws Article V, Indebtedness, clearly states "No indebtedness of the Corporation in excess of \$20,000 shall be incurred other than in the normal course of business, except as may be approved by resolution adopted by a majority of the directors in office." Article VI, Contracts, Loans, Checks and Deposits, 6.2 states, "No loans shall be contracted on behalf of the Corporation, and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors."

3. SEGS DISBURSED “LOAN” REPAYMENTS TOTTALLING \$184,000 TO THE CURRENT DIRECTOR AND HER NONPROFIT ORGANIZATION WITHOUT BOARD APPROVAL.

Review of the school’s bank statement for July 1, 2013 through July 31, 2013, identified a “customer withdrawal image” for \$150,000 dated July 26, 2013. The school’s ISIS accounting system identifies a July 26, 2013 disbursement in the form of a check to the current Finance Officer Andrea Simmons for the amount of \$150,000 and corresponding credit to the Loan – Community Support Agency payable account. However, review of the documentation provided by the school’s Finance Officer Andrea Simmons yielded a photocopy of Cashier’s Check No.2721908 in the amount of \$150,000 purchased by Stem Education for a Global Society, Inc., made payable to Community Support Agency. No additional supporting documentation for the \$150,000 payment was provided or located during the review.

The school’s bank statement for September 1, 2013 through September 30, 2013 shows an online banking transfer to the school’s second checking account ending 2289 in the amount of \$2,000 made on September 13, 2014, and one for \$32,000 made on September 24, 2013. The school’s 2289 account bank statement for September 1, 2013 through September 30, 2013 shows a corresponding deposit for \$32,000 and a wire transfer out to Community Support Agency in the amount of \$32,000 also on September 26, 2013. Documentation provided by the current Finance Officer Andrea Simmons included a Funds Transfer Request and Authorization for the wire transfer, signed by the Ms. Simmons who was serving as the Board Treasurer and operating as the Finance Officer but receiving no compensation at that time. Data entered into the school’s ISIS accounting system incorrectly identifies this wire transfer as a check issued to the current Director Devoria Berry and credited as a debt service payment. No authorization or supporting documentation for this payment was provided. The school’s 2289 bank statement for October 1, 2013 through October 31, 2013 shows check 1007 to the school’s current Director’s in the amount of \$2,000 on October 13, 2013. Data entered into the school’s ISIS accounting system shows the \$2,000 check issued to Ms. Berry and credited as a debt service payment. No authorization or supporting documentation for this payment was provided.

Review of the school’s Board of Directors Meeting Minutes for the period of September 19, 2012 through September 8, 2014 found no evidence that these payments were presented to the Board for consideration and approval as required by the bylaws.

4. SEGS DISBURSED A TOTAL OF \$184,000 TO THE CURRENT DIRECTOR AND/OR HER NONPROFIT ORGANIZATION CATEGORIZED AS LOAN REPAYMENTS WITHOUT EVIDENCE OF A LOAN TO BE REPAID TO THE NONPROFIT OR TO HER.

As stated in finding 1 above, no documentation exists to support that the current Director Devoria K. Berry or her nonprofit organization CSA provided \$200,000 for start-up costs as recorded in the school’s cash receipts journal and chart of accounts as a loan payable. Documentation provided by the Ms. Simmons revealed a photocopy of an unrelated third party’s personal check payable to SEGS in the amount of \$200,000 dated July 22, 2013. No additional documentation indicating these funds as either a loan or a donation were provided or located. As indicated in findings 1 and 2 above, the school’s bank statements and financial records show a deposit in the same amount on the same date that was attributed to a loan from Ms. Berry and CSA. Disbursements totaling \$184,000 as detailed in the previous findings were made to the Ms. Berry and CSA. No documentation was provided or located to indicate the Ms. Berry or CSA was the actual source of the \$200,000 deposit. Based on the lack of evidence to support a loan being made to the school from Ms. Berry or CSA, the entire \$187,000 represents Questioned Costs.

5. SEGS HAS INTERNAL CONTROL DEFICIENCIES RELATED TO CONTRACTS RESULTING IN DISBURSEMENTS TOTALING \$92,139 IN FY 2014 AND \$89,507 YEAR TO DATE IN FY 2015 FOR PAYMENTS AGAINST CONTRACTS WITH RELATED PARTIES THAT WERE NOT DISCLOSED TO OR APPROVED BY THE BOARD.

Our review identified internal control deficiencies related to at least contracts resulting in multiple contracts with individuals with direct familial relationships with the school or the Board. The individual/organizations are listed in the table below. No evidence was identified that any of the contracts with the related parties were formally approved by the Board which is in violation of the school's bylaws and policy. In addition, the contract for services to be provided with the Finance Officer Ms. Simmons includes overlapping duties with a contract the school has with LB&A Accounting firm for financial services. The costs incurred with the Ms. Simmons' contract may be an unnecessary cost for the school.

Vendor	2013-14	2014-15
Community Support Agency - Transportation lease and other contracted management services	\$ 15,128	\$ 9,900
Community Support Agency - Lease Payments	\$ 58,495	\$ 24,105
Andrea Simmons – contracted services agreement	\$ 6,000	\$ 14,580
Devoria Berry – contracted services agreement		\$ 31,250
Leslie McLaurin	\$ 12,516	\$ 9,672
Total	\$ 92,139	\$ 89,507

In addition, the contracts lack sufficient details necessary for a valid contract such as expectations, performance measures, cause for termination, remedies for dispute resolution, etc. In addition, none of SEGS' contracts include the language required per General Statute 115C-238.29H (a1) which states: "No indebtedness of any kind incurred or created by the charter school shall constitute an indebtedness of the State or its political subdivisions, and no indebtedness of the charter school shall involve or be secured by the faith, credit, or taxing power of the State or its political subdivisions."

6. SEGS HAS INTERNAL CONTROL DEFICIENCIES RELATED TO ADEQUATE DOCUMENTED ACCOUNTING POLICIES AND PROCEDURES.

Our review found that SEGS lacks sufficient accounting policies and procedures that describe the required documentation and processes needed in order to perform the various accounting functions. Our interviews of the school's administrative staff revealed a lack of sufficient knowledge regarding appropriate fiscal practices including the procurement process.

Our interview with Finance Officer Andrea Simmons included a series of accounting related questions to determine the reliability of the school's accounting functions. Ms. Simmons listed her responsibilities in the accounting processes related to accounts payable functions, coding of payments, purchase authorization, bank reconciliation, budget vs. actual expenditure report, and check signing authority. Ms. Simmons explained the school contracts with the North Carolina Charter School Association for financial services. The contractor records all financial transactions in the school's ISIS accounting system and prepares checks for her signature. When asked if her services duplicated those provided by the contractor Ms. Simmons indicated that she had not learned to use the school's ISIS accounting system which is the main function currently handled by the

contractor. We question the necessity or financial prudence of two contracts for financial services, especially in consideration of the financial issues identified in the school's 2014 audited financial statements.

Ms. Simmons' responses to interview questions about the school's financial policies and procedures were not substantiated by our review of the existing fiscal policy and procedures manual. Ms. Simmons stated the school has policies and procedures on contract administration, payroll, inventory, vendor payments, and cash management. However, the written policy and procedures manual provided by Ms. Simmons and Ms. Berry are inconsistent with this description. The existing financial policy and procedures do not address all aspects of the school's accounting cycle and do not include sufficient details for procedures related to performance of the various accounting functions. Interviews with both the Ms. Simmons and Ms. Berry included statements that school contracts go to the Board for approval and are signed by the Ms. Berry as the Director. However, as detailed in findings 1 – 4 above, our review determined these procedures are not occurring.

The absence of adequate documented accounting policies and procedures increases the risk of loss of funds, theft of school assets, and disruption of the operation. Fully documented fiscal procedures are also beneficial for the training of current and new employees and are a valuable resource in the event an administrative employee leaves the school. Fully documented accounting policies and procedures assist the school in meeting NC General Statute 115C-238.29G(a)(2)) which requires charters schools to meet generally accepted standards of fiscal management as identified in The North Carolina Charter School Financial Guide. The financial guide requires the maintenance of documentation outlining internal controls on business practices and operation and require that accounting records properly and accurately record and account for all transactions including cash for the purpose of consistency in use of the preparation of reliable financial statements.

7. SEGS HAS INTERNAL CONTROL DEFICIENCIES RELATED TO ADEQUATE SEGREGATION OF DUTIES.

Our review determined the school does not have alternative controls to compensate for a lack of separation of duties related to financial transactions. Compensating controls would include processes such as Board members assisting with certain accounting functions like check signing and bank reconciliations. Review of SEGS Policies and Procedures manual indicates an absence of policies consistent with the bylaws. The manual does not include policies limiting the scope of the finance officer's autonomous decision-making ability for certain type of transactions the finance officer can enter into on behalf of the school or perform without management or Board concurrence. Examples include disbursements above a certain threshold, grant agreements, contracts for services, loan agreements, etc. The manual also does not designate the requirement for another official to approve purchase requests and provide signature of checks paid to the finance officer.

School Business staff interviewed current Finance Officer Andrea Simmons regarding the accounting policies and procedures, specifically related to internal controls. Ms. Simmons described several processes that demonstrate a lack of adequate segregation of duties. Ms. Simmons acknowledged that she is has sole responsibility for authorizing purchase, approving payments to vendors, assigning payment codes, signing checks (including her own paychecks), and performing bank reconciliations.

The absence adequate segregation of duties or compensating controls create the potential for increased risk for loss of funds through error or intentional misuse, theft of school assets, and disruption of the operation which would violate NC General Statute 115C-238.29G(a)(2)) requiring charter schools meet generally accepted standards of fiscal management. The North Carolina Charter School Financial Guide requires the maintenance of documentation that outlines internal controls on business practices as one of the requirement to adhere to GS 114C-238.29G(a)(2)).

8. SEGS HAS INTERNAL CONTROL DEFICIENCIES RELATED TO ADMINISTRATIVE TIMEKEEPING POLICIES AND PROCEDURES.

Our review found that SEGS does not have written timekeeping and activity reporting policies. The school also lacks written procedures including the basic duties and responsibilities of time keepers, supervisors and managers in preparing and retaining time and attendance records. SEGS Board does not require Head of School Ann Marie Johnston, Finance Officer Andrea Simmons and Executive Director Devoria K. Berry submit timesheets and documentation for hours worked and ensure performance measures are being met before payments for services are made.

We interviewed the following administrative staff identified as direct reports to the SEGS' Board of Directors:

- Ann Marie Johnston, Head of School
- Devoria K. Berry, Director
- Andrea Simmons, Finance Officer

Ms. Simmons responded to questions related the school's payroll process and timekeeping procedures and stated the Head of School is responsible for approval of time records and payments for teachers on staff. Ms. Simmons also responded to questions that SEGS does not have written timekeeping policies and procedures for administrative staff reporting directly to the Board. Currently Ms. Simmons is allowed approve payments for services to the administrative positions reporting directly to the Board without Board oversight.

Our review included an examination of 100% of SEGS' payroll transactions for administrative staff for the time period of July 1, 2013 to September 25, 2014. The review revealed that no timesheets were used to support the payment for services of administrative staff. The invoices submitted by Ms. Simmons and Ms. Berry for payment of their services do not include an itemization of hours worked and are not supported by documentation. Currently there is no requirement that a designated Board member review and authorize payment of invoices submitted by administrative staff.

Good accounting control and internal control procedures require supervisory review of time and attendance records and provision of supporting documentation upon request. The absence of written timekeeping procedures for school administration increases the risk of fraud, waste and abuse due to erroneous or intentional inaccuracies. NC General Statue 115C-238.29G(a)(2)) requires charter schools meet generally accepted standards of fiscal management which includes . The North Carolina Charter School Financial Guide identifies maintenance of documentation that outlines internal controls on business practices and operation as one of the requirement to adhere to GS 114C-238.29G(a)(2)).

LOCAL NEWS

Audit: Failed Kinston charter school mismanaged taxpayer funds

Posted January 28

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By EMERY P. DALESIO, Associated Press

RALEIGH, N.C. — A failed Kinston charter school that mismanaged money for years got \$667,000 in taxpayer funds months before it shut down, then paid the couple who headed the school \$11,000 while other employees were owed \$370,000, state auditors said Wednesday.

The Office of State Auditors [looked into the finances of Kinston Charter Academy](#) after it closed in September 2013. The State Board of Education is considering suing to recover state funds the school got for the 2013-14 academic year before it was shuttered and to ask lawmakers for increased financial oversight, Chairman Bill Cobey said.

"We plan to seek legislation this year to strengthen our authority in situations where a charter school is on probation for financial difficulties," Cobey said in a prepared statement. "This would allow us to quickly cease expenditures if necessary."

There are nearly 150 charter schools statewide and 11 more are set to open in August. They are public schools operated by a nonprofit board of directors with much greater financial and academic flexibility than traditional schools.

The Kinston school opened in 2004 to serve kindergarten through eighth-grade children in Greene, Lenoir and Pitt counties. By the time it closed, nearly all of its 189 students qualified for free or reduced-price lunches. Just 5 percent of students were proficient in math and 18 percent read at grade level after the 2012-13 school year.

Financial shortfalls would have closed the school in 2007 if five of the school's eight board members hadn't taken personal loans to keep it operating, school CEO and principal Ozie Hall told auditors.

Hall's wife Demyra, who chaired the school's board, was one of the three directors who didn't borrow to keep the school afloat, auditors said.

By July 2013, the school had been cited for financial deficiencies multiple times over six years but still received \$666,818 in taxpayer funds as an initial installment for the upcoming academic year, the report said.

Some of the money went to pay off two loans totaling \$230,000 borrowed in the preceding two months to keep the doors open. They carried interest rates of up to 515 percent, auditors said. Hall told auditors the loans were the only ones available because of the school's precarious finances.

Because charter school boards manage their own money and operations, they aren't required to inform state school officials when they take on additional debt, the report said.

School leaders also predicted almost twice as many students would enroll for the 2013-14 year than actually did, the report said. That inflated estimate meant the Kinston charter school received \$300,000 more than it was due and spent it before the state Department of Public Instruction could recognize and recover the overpayment, the report said.

Demyra Hall, a former criminal defense lawyer, and their daughter, Khadijah, were paid \$92,000 in the school's final year though they were "unqualified" because they lacked any education experience, auditors said.

Ozie and Demyra Hall were paid \$11,000 for unused vacation time less than a month before the school closed while other employees were owed \$370,000, the report said. The school was delinquent on employee health insurance and retirement plan payments, DPI school business administration director Alexis Schauss said.

Ozie Hall said his wife removed herself from the school's board decision to make the payments, which they were owed because they'd spent years working instead of taking time off.

"I had not had vacation in more than four years," Hall said. "I was entitled to it."

Still, state auditors said, "the report questions whether it was prudent and ethical to receive those payments when the school did not meet all of its payroll obligations for other employees."

Ozie Hall has [filed a petition](#), saying the audit contains "multiple errors of fact (and) significant distortions of fact."

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



KINSTON CHARTER ACADEMY

KINSTON, NORTH CAROLINA

INVESTIGATIVE REPORT
JANUARY 2015



NCOSA
The Taxpayers' Watchdog

EXECUTIVE SUMMARY

PURPOSE

The Office of the State Auditor received allegations from the North Carolina Department of Public Instruction (DPI) regarding potential misspending by administrators at Kinston Charter Academy (School).

BACKGROUND

The School opened in 2004 and served students from Lenoir, Pitt, and Greene counties in kindergarten through eighth grade. The School relinquished its charter on September 4, 2013, in response to DPI's concerns about the School's finances and administrative oversight.

KEY FINDINGS

- School received \$666,818 of state appropriations despite multiple citations for fiscal mismanagement.
- School overstated attendance estimate which inflated state funds received by more than \$300,000.
- Inexperience and limited participation led to inadequate board and administrative oversight of School.
- School employed Chief Executive Officer/Principal's (CEO) unqualified relatives, at a cost of \$92,500 in the School's final year.
- Despite ultimately owing more than \$370,000 in payroll obligations, questionable payments of more than \$11,000 were made to the CEO and his wife.
- Declining student attendance, unrealized private donations, and high operating costs contributed to School's insolvency.

KEY RECOMMENDATIONS

- The State Board of Education (State Board) should establish guidelines regarding the frequency and significance of financial performance/compliance issues that are allowed before a school charter is revoked or not renewed.
- The State Board should seek legislative changes to revise its annual funding model to require documentation from schools to support projected attendance increases, especially for schools with financial performance or compliance issues.
- The State Board should require charter schools to include at least one board member with training and/or experience in school administration, one board member with a business background, and one senior administrator with a school administration background.
- The State Board should prohibit familial relationships at charter schools between board members and senior administrators.
- DPI should consider pursuing civil action to recover any misspent funds including more than \$11,000 of vacation payouts to the CEO and his wife.
- The State Board should closely review a school's projected financial solvency when approving the initial charter or renewing charters.

The key findings and recommendations in this summary may not be inclusive of all the findings and recommendations in this report.

1. SCHOOL RECEIVED \$666,818 OF STATE APPROPRIATIONS IN JULY 2013 DESPITE MULTIPLE CITATIONS FOR FISCAL MISMANAGEMENT

The North Carolina Department of Public Instruction (DPI) cited Kinston Charter Academy (School) for financial deficiencies multiple times over six years. However, the State Board of Education (State Board) did not initiate revocation of the School's charter until after the School received \$666,818 of state-appropriated funds in July 2013. As a result, the Chief Executive Officer/Principal (CEO) was able to spend state funds appropriated for the 2013-14 school year to pay expenses incurred during the prior school year. For example:

- On July 22, 2013, the School paid off two \$100,000 loans obtained on May 31, 2013, and June 27, 2013. These loans were paid in full after the School received its initial installment of state funds for 2013-14. (See Finding 6)
- After receiving its initial 2013-14 installment from DPI, the School paid the Department of State Treasurer's State Health Plan \$80,731 for unpaid contributions from the previous school year. (See Finding 5)

State law¹⁰ and the State Board's *Policy Manual* outline the actions DPI may take including recommending termination or nonrenewal of a charter to the State Board for "failure to meet generally accepted standards of fiscal management." However, state law and State Board policies do not have established criteria for recommending revocation of a school's charter specific to the length or magnitude of financial issues. Instead, DPI takes action on a case-by-case basis through the annual review of audited financial statements and the charter renewal process.¹¹

Under state law and State Board policy, circumstances such as repeated deficit fund balances or declining financial ratios do not automatically initiate the charter revocation process. Even though the School accumulated deficit fund balances during six of seven years, these financial deficiencies were not enough to initiate charter revocation.

DPI cited the School multiple times for financial issues beginning in 2008 but the State Board did not initiate revocation of the School's charter until 2013. (See Appendix A)

- On June 5, 2008, DPI placed the School on "Financial Probationary Status" due to the School's \$354,292 deficit fund balance for the fiscal year ended June 30, 2007. (See Appendix B)
- On March 24, 2010, DPI raised the action to the highest level, "Financial Disciplinary Status."
- On March 8, 2012, DPI notified the School that the remaining allotments for the 2011-12 school year would be provided in monthly installments rather than a lump sum installment for the final third of the academic year.¹² However, during the

¹⁰ North Carolina General Statute § 115-238.29G

¹¹ The State Board may grant a charter lasting up to 10 years with renewal of the original charter to last as long as 10 years.

¹² Charter schools typically receive allotments in three installments per year with 34% provided after the General Assembly adjourns, 34% in October, and the remaining 32% in February.

2012-13 and 2013-14 school years, DPI returned the School to the three installments per year schedule rather than keeping it on a monthly installment schedule.

- On June 5, 2013, DPI placed the School on "Governance Cautionary Status" for failure to submit employee benefit contributions.¹³
- On August 2, 2013, the Office of Charter Schools sent the School a letter warning of the potential closing of the School.
- On August 16, 2013, the Office of Charter Schools raised the disciplinary status to "Governance Noncompliance Status" and sent another letter indicating DPI's intention to recommend initiation of revocation of the School's charter at the next State Board meeting on September 4, 2013, for failure to respond to or resolve issues identified in the June 2013 letter.

During the final year of the School's operation, DPI exchanged multiple communications with the School regarding concerns about finances, programmatic issues, and academic performance. (See Appendix C) In a March 12, 2013 phone call, the CEO acknowledged that the School had "budgeting concerns" and mentioned "the possibility that the school would be closing." Nevertheless, DPI provided the full initial installment of \$666,818 in July 2013.

DPI could not recover any of the state-appropriated funds. In July, August, and September 2013, the School spent the entire first installment of the allotment for the 2013-14 school year even though it closed on September 6, 2013, the ninth day of classes. (See Appendix D) The funds were intended to last until the School's next installment was paid in October. However, the School voluntarily surrendered its charter at the State Board meeting on September 4, 2013.

RECOMMENDATIONS

The State Board should establish guidelines regarding the frequency and significance of financial performance/compliance issues that are allowed before a charter is revoked or not renewed.

The State Board should establish criteria to consider taking more prompt action if a charter school experiences financial performance issues.

The State Board should consider requiring any charter school on financial probationary, financial disciplinary, governance cautionary, or governance noncompliance status to submit monthly financial statements to DPI's Division of School Business Services for review.

For schools cited for financial performance/compliance issues, the State Board should consider only permitting monthly installments rather than the larger, three installments per year. The charter school should demonstrate and document significant financial improvements over a full academic year prior to reinstating the larger installment schedule.

¹³ The School withheld funds from employee paychecks but did not submit health insurance premiums to the Department of State Treasurer's State Health Plan and retirement contributions to the Department of State Treasurer's State Retirement System.

The State Board should adopt policies and procedures for recovery of state funds when a school's charter is revoked or relinquished prior to the end of the academic year.

The State Board and DPI should seek legal counsel regarding potential civil action concerning the CEO's mismanagement of the \$666,818 initial installment of the 2013-14 allotment.

Note: This finding referred to the State Bureau of Investigation and the District Attorney for Lenoir County.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE BILL 276

Short Title: Agency Participation Procedures Act of 2015.-AB

(Public)

Sponsors: Representatives Ross, Gill, Goodman, and McNeill (Primary Sponsors).

For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Education - K-12, if favorable, Pensions and Retirement.

March 19, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO ENACT THE AGENCY PARTICIPATION PROCEDURES ACT OF 2015.
3 The General Assembly of North Carolina enacts:

4 SECTION 1. G.S. 135-5.3 reads as rewritten:

5 "§ 135-5.3. **Optional participation for charter schools operated by private nonprofit**
6 **corporations.**

7 (a) The board of directors of each charter school operated by a private nonprofit
8 corporation shall elect whether to become a participating employer in the Retirement System in
9 accordance with this Article. This election shall be in ~~writing, shall be made no later than 30~~
10 ~~days after this section becomes law, writing~~ and shall be filed with the Retirement System and
11 with the State Board of Education. For each charter school employee who is employed on or
12 before the date the board makes the election to participate, membership in the System is
13 effective as of the date the board makes the election to participate. For each charter school
14 employee who is employed after the date the board makes the election, membership in the
15 System is effective as of the date of that employee's entry into eligible service. This subsection
16 applies only to charter schools that received State Board of Education approval under [former]
17 G.S. 115C-238.29D in 1997 or 1998.

18 (b) ~~No later than 30 days after both parties have signed the written charter under~~
19 ~~G.S. 115C-218.15, the board of directors of a charter school operated by a private nonprofit~~
20 ~~corporation shall elect whether to become a participating employer in the Retirement System in~~
21 ~~accordance with this Article.~~ The board of directors of a charter school operated by a private
22 nonprofit corporation shall elect whether to seek to become a participating employer in the
23 Retirement System in accordance with this Article. This election shall be in writing and filed
24 with the Retirement System and with the State Board of Education and is effective for each
25 charter school employee as of the date of that employee's entry into eligible service. This
26 subsection applies to charter schools that receive State Board of Education approval under
27 [former] G.S. 115C-238.29D [or G.S. 115C-218.5] after 1998.

28 (b1) A charter school seeking to become a participating employer in the Retirement
29 System shall undergo an actuarial, financial, and legal review as required by the Board of
30 Trustees. Upon acceptance by the Board of Trustees of the application to become a
31 participating employer and acknowledgement of the acceptance of the withdrawal liability by
32 charter school, the charter school shall be a participating employer in the Retirement System.

33 (c) A charter school board's election to become a participating employer in the
34 Retirement System under this section ~~is irrevocable and~~ shall require all eligible employees of
35 the charter school to participate.



(d) No retirement benefit, death benefit, or other benefit payable under the Retirement System shall be paid by the State of North Carolina or the Board of Trustees of the Teachers' and State Employees' Retirement System on account of employment with a charter school with respect to any employee, or with respect to any beneficiary of an employee, of a charter school whose board of directors does not elect to become a participating employer in the Retirement System under this section.

(e) The board of directors of each charter school shall notify each of its employees as to whether the board elected to become a participating employer in the Retirement System under this section. This notification shall be in writing and shall be provided within 30 days of the board's election or at the time an initial offer for employment is made, whichever occurs last. If the board did not elect to join the Retirement System, the notice shall include a statement that the employee shall have no legal recourse against the board or the State for any possible credit or reimbursement under the Retirement System. The employee shall provide written acknowledgment of the employee's receipt of the notification under this subsection.

(f) The board of directors of each charter school may elect to revoke its decision to be a participating employer in the Retirement System for all of its employees. In order to make such a revocation, a board shall:

(1) Communicate its decision and provide the Retirement Systems Division of the State Treasurer's Office with copies of any actions by the Board relating to this election.

(2) Notify its employees at least seven days prior to any vote by the Board on revoking the election that, effective with the charter school's withdrawal from the Retirement System, those employees will not earn any additional creditable service in the Retirement System.

(3) Make a lump sum payment of the withdrawal liability required under G.S. 135-8(i)."

SECTION 2. G.S. 120-114 reads as rewritten:

"§ 120-114. Actuarial ~~notes~~; Retirement System advisory letters and cost estimates.

(a) Every bill, joint resolution, and simple or concurrent resolution introduced in the General Assembly proposing any change in the law relative to any State, municipal, or other retirement system, funded in whole or in part out of public funds, or any program of hospital, medical, disability, or related benefits provided for teachers and State employees, funded in whole or in part by State funds, shall have attached to it at the time of its consideration by any committee of either house of the General Assembly a brief explanatory statement or note which shall include a reliable estimate of the financial and actuarial effect of the proposed change in any such retirement system or program of hospital, medical, disability, or related benefits. This actuarial note shall be attached to the original of each proposed bill or resolution which is reported favorably by any committee of either house of the General Assembly, but shall be separate therefrom, shall be clearly designated as an actuarial note and shall not constitute a part of the law or other provisions or expression of legislative intent proposed by the bill or resolution.

(b) The author of each bill or resolution shall present a copy of the bill or resolution, with his request for an actuarial note, to the Fiscal Research Division which shall have the duty to prepare said actuarial note as promptly as possible. Actuarial notes shall be prepared and transmitted to the author or authors no later than two weeks after the request for the actuarial note is made, unless an extension of time is agreed to by the author or authors as being necessary in preparation of the note. Any person who signs an actuarial note knowing it to contain false information shall be fined not more than five hundred dollars (\$500.00) or imprisoned not more than six months, or both.

(c) The author of each bill or resolution shall also present a copy of the bill or resolution to any actuary employed by the retirement system, or to any actuary employed by a

1 program of hospital, medical, disability, or related benefits provided for teachers and State
2 employees, affected by the bill or resolution in question. Actuarial notes shall be prepared and
3 transmitted to the author or authors of the measure no later than two weeks after the request for
4 the actuarial note is received, unless an extension of time is agreed to by the author or authors
5 as being necessary in preparation of the note. Any person who signs an actuarial note knowing
6 it to contain false information shall be fined not more than five hundred dollars (\$500.00) or
7 imprisoned not more than six months, or both. The provisions of this subsection may be waived
8 for any local government retirement or pension plans not administered by the State, and for any
9 local government program of hospital, medical, disability, or related benefits for local
10 government employees not administered by the State.

11 (d) The note shall be factual and shall, if possible, provide a reliable estimate of both
12 the immediate effect and, if determinable or reasonably foreseeable, the long range fiscal and
13 actuarial effect of the measure. If, after careful investigation, it is determined that no dollar
14 estimate is possible, the note shall contain a statement to that effect, setting forth the reasons
15 why no dollar estimate can be given. No comment or opinion shall be included in the actuarial
16 note with regard to the merits of the measure for which the note is prepared. However,
17 technical and mechanical defects may be noted.

18 (e) At any time any committee of either house reports any legislative instrument, to
19 which an actuarial note or notes are attached at the time of committee consideration, with any
20 amendment of such nature as would substantially affect the cost to or the revenues of any
21 retirement system, or program of hospital, medical, disability, or related benefits for teachers
22 and State employees, as stated in the actuarial note or notes attached to the measure at the time
23 of such consideration, it shall be the responsibility of the chairman of the committee reporting
24 such instrument to obtain from the Fiscal Research Division an actuarial note of the fiscal and
25 actuarial effect of the change proposed by the amendment reported. Such actuarial note shall be
26 attached to the report of the committee on the measure as a supplement thereto. A floor
27 amendment to a bill or resolution to which an actuarial note was attached at the time of
28 committee consideration of the bill or resolution shall not be in order, if the amendment affects
29 the costs to or the revenues of a retirement system, or program of hospital, medical, disability,
30 or related benefits provided for teachers and State employees, unless the amendment is
31 accompanied by an actuarial note, prepared by the Fiscal Research Division, as to the actuarial
32 effect of the amendment.

33 (f) In addition to the other requirements of this section, if a bill or resolution
34 contemplates adding a public agency as a participating employer in the Teacher's and State
35 Employees' Retirement System or the Local Governmental Employees Retirement System, the
36 Fiscal Research Division shall obtain an advisory letter from the Attorney General regarding
37 whether the agency is eligible for participation.

38 (g) In addition to the other requirements of this section, if a bill or resolution
39 contemplates removing a public agency as a participating employer from the Teacher's and
40 State Employees' Retirement System or the Local Governmental Employees Retirement
41 System, the Fiscal Research Division shall obtain an estimate of cost of the withdrawal liability
42 the agency would owe under procedures established by the Boards of Trustees of the
43 Retirement Systems."

44 **SECTION 3.(a)** G.S. 135-8 is amended by adding a new subsection to read:

45 "(i) Payment to Cease Participation. – Any employing unit that is allowed to cease
46 participation in the Retirement System by the General Assembly or as otherwise provided in
47 this Chapter shall make a lump sum payment to the Teacher's and State Employees' Retirement
48 System equal to the actuarial present value of the additional liabilities imposed upon the
49 System, to be determined by the System's consulting actuary, plus an administrative fee to be
50 determined by the Board of Trustees."

51 **SECTION 3.(b)** G.S. 128-30 is amended by adding a new subsection to read:

1 "(i) Payment to Cease Participation. – Any employing unit that is allowed to cease
2 participation in the Retirement System by the General Assembly shall make a lump sum
3 payment to the Local Governmental Employees' Retirement System equal to the actuarial
4 present value of the additional liabilities imposed upon the System, to be determined by the
5 System's consulting actuary, plus an administrative fee to be determined by the Board of
6 Trustees."

7 **SECTION 4.** This act becomes effective July 1, 2015.



HOUSE BILL 616: Local Governmental Employees' Retire. COLA

2015-2016 General Assembly

Committee:	House Pensions and Retirement, if favorable, Appropriations	Date:	April 20, 2015
Introduced by:	Rep. McNeill	Prepared by:	Theresa Matula
Analysis of:	First Edition		Committee Staff

SUMMARY: *House Bill 616 provides a 1% cost-of-living adjustment (COLA) for retirees in the Local Governmental Employees' Retirement System (LGERS) effective July 1, 2015, and amends the statutes to reflect increases that were provided in 2006, 2007, 2008, and 2009.*

BILL ANALYSIS:

House Bill 616 amends the benefit section of the Local Governmental Employees Retirement System (LGERS) statutes to add subsections (hhh) – (kkk) to G.S. 128-27 which represent increases already provided by the Board of Trustees.

G.S. 128-27(III) would provide a 1% COLA to retirees in the LGERS effective July 1, 2015.

EFFECTIVE DATE: This act would become effective July 1, 2015.

CURRENT LAW:

G.S. 128-27(k) Post-Retirement Increases in Allowances. – As of December 31, 1969, the ratio of the Consumer Price Index to such index one year earlier shall be determined. If such ratio indicates an increase that equals or exceeds three per centum (3%), each beneficiary receiving a retirement allowance as of December 31, 1968, shall be entitled to have his allowance increased three per centum (3%) effective July 1, 1970.

As of December 31, 1970, the ratio of the Consumer Price Index to such index one year earlier shall be determined. If such ratio indicates an increase of at least one per centum (1%), each beneficiary on the retirement rolls as of July 1, 1970, shall be entitled to have his allowance increased effective July 1, 1971, as follows:

Increase In Index	Increase In Allowance
1.00 to 1.49%	1%
1.50 to 2.49%	2%
2.50 to 3.49%	3%
3.50% or more	4%

As of December 31, 1971, an increase in retirement allowances shall be calculated and made effective July 1, 1972, in the manner described in the preceding paragraph. As of December 31 of each year after 1971, the ratio (R) of the Consumer Price Index to such index one year earlier shall be determined, and each beneficiary on the retirement rolls as of July 1 of the year of determination shall be entitled to have his allowance increased effective on July 1 of the year following the year of determination by the same percentage of increase indicated by the ratio (R) calculated to the nearest

O. Walker Reagan
Director



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House Bill 616

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tenth of one per centum (1/10 of 1%), but not more than four per centum (4%); provided that any such increase in allowances shall be contingent upon the total fund providing sufficient investment gains to cover the additional actuarial liabilities on account of such increase. The determination of whether there are sufficient investment gains to cover the possible postretirement increase in allowance shall reside exclusively within the discretion of the Board of Trustees and shall be informed by the findings within the annual actuarial valuation reports. In considering whether to grant a postretirement increase, the Board of Trustees shall take into account both the rate of inflation as determined by the Consumer Price Index and the record of investment gains or losses during the preceding three-year period.

The allowance of a surviving annuitant of a beneficiary whose allowance is increased under this subsection shall, when and if payable, be increased by the same per centum.

Any increase in allowance granted hereunder shall be permanent, irrespective of any subsequent decrease in the Consumer Price Index, and shall be included in determining any subsequent increase.

Notwithstanding the foregoing linkage between increases in the Consumer Price Index and correlative contingent increases in retirement benefits determined by the availability of sufficient investment gains to cover the additional actuarial liabilities arising from those increased benefits, the Board of Trustees, may in any year, considering an increase, if any, in the Consumer Price Index, fund a cost-of-living increase in a percentage amount, measured in tenths of one percent (1/10 of 1%), of up to four percent (4%), provided that the Board may use only investment gains to fund such an increase.

For purposes of this subsection, Consumer Price Index shall mean the Consumer Price Index (all items – United States city average), as published by the United States Department of Labor, Bureau of Labor Statistics.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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1

HOUSE BILL 616

Short Title: Local Governmental Employees' Retire. COLA.

(Public)

Sponsors: Representative McNeill (Primary Sponsor).

For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Pensions and Retirement, if favorable, Appropriations.

April 13, 2015

A BILL TO BE ENTITLED
AN ACT TO PROVIDE COST-OF-LIVING INCREASES FOR MEMBERS OF THE LOCAL
GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1.(a) G.S. 128-27 is amended by adding five new subsections to read:

"(hhh) From and after July 1, 2006, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased by two and eight-tenths percent (2.8%) of the allowance payable on June 1, 2006, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2006, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2005, but before June 30, 2006, shall be increased by a prorated amount of two and eight-tenths percent (2.8%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2005, and June 30, 2006.

(iii) From and after July 1, 2007, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased by two and two-tenths percent (2.2%) of the allowance payable on June 1, 2007, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2007, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2006, but before June 30, 2007, shall be increased by a prorated amount of two and two-tenths percent (2.2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2006, and June 30, 2007.

(iii) From and after July 1, 2008, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2007, shall be increased by two and fifteen-hundredths percent (2.15%) of the allowance payable on June 1, 2008, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2008, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2007, but before June 30, 2008, shall be increased by a prorated amount of two and fifteen-hundredths percent (2.15%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2007, and June 30, 2008.

(kkk) From and after July 1, 2009, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2008, shall be increased by



1 one-tenth of one percent (.1%) of the allowance payable on June 1, 2009, in accordance with
2 subsection (k) of this section. Furthermore, from and after July 1, 2009, the retirement
3 allowance to or on account of beneficiaries whose retirement commenced after July 1, 2008,
4 but before June 30, 2009, shall be increased by a prorated amount of one-tenth of a percent
5 (.1%) of the allowance payable as determined by the Board of Trustees based upon the number
6 of months that a retirement allowance was paid between July 1, 2008, and June 30, 2009.

7 (III) From and after July 1, 2015, the retirement allowance to or on account of
8 beneficiaries whose retirement commenced on or before July 1, 2014, shall be increased by one
9 percent (1%) of the allowance payable on June 1, 2015, in accordance with subsection (k) of
10 this section. Furthermore, from and after July 1, 2015, the retirement allowance to or on
11 account of beneficiaries whose retirement commenced after July 1, 2014, but before June 30,
12 2015, shall be increased by a prorated amount of one percent (1%) of the allowance payable as
13 determined by the Board of Trustees based upon the number of months that a retirement
14 allowance was paid between July 1, 2014, and June 30, 2015."

15 **SECTION 1.(b)** The cost-of-living increases provided for in G.S. 128-27(hhh)
16 through (kkk), as enacted in subsection (a) of this section, represent increases already provided
17 by the Board of Trustees to members of the Local Governmental Employees' Retirement
18 System.

19 **SECTION 2.** This act becomes effective July 1, 2015.



HOUSE BILL 616: Local Governmental Employees' Retire. COLA

2015-2016 General Assembly

Committee:	House Pensions and Retirement, if favorable, Appropriations	Date:	April 20, 2015
Introduced by:	Rep. McNeill	Prepared by:	Theresa Matula
Analysis of:	First Edition		Committee Staff

SUMMARY: *House Bill 616 provides a 1% cost-of-living adjustment (COLA) for retirees in the Local Governmental Employees' Retirement System (LGERS) effective July 1, 2015, and amends the statutes to reflect increases that were provided in 2006, 2007, 2008, and 2009.*

BILL ANALYSIS:

House Bill 616 amends the benefit section of the Local Governmental Employees Retirement System (LGERS) statutes to add subsections (hhh) – (kkk) to G.S. 128-27 which represent increases already provided by the Board of Trustees.

G.S. 128-27(III) would provide a 1% COLA to retirees in the LGERS effective July 1, 2015.

EFFECTIVE DATE: This act would become effective July 1, 2015.

CURRENT LAW:

G.S. 128-27(k) Post-Retirement Increases in Allowances. – As of December 31, 1969, the ratio of the Consumer Price Index to such index one year earlier shall be determined. If such ratio indicates an increase that equals or exceeds three per centum (3%), each beneficiary receiving a retirement allowance as of December 31, 1968, shall be entitled to have his allowance increased three per centum (3%) effective July 1, 1970.

As of December 31, 1970, the ratio of the Consumer Price Index to such index one year earlier shall be determined. If such ratio indicates an increase of at least one per centum (1%), each beneficiary on the retirement rolls as of July 1, 1970, shall be entitled to have his allowance increased effective July 1, 1971, as follows:

Increase In Index	Increase In Allowance
1.00 to 1.49%	1%
1.50 to 2.49%	2%
2.50 to 3.49%	3%
3.50% or more	4%

As of December 31, 1971, an increase in retirement allowances shall be calculated and made effective July 1, 1972, in the manner described in the preceding paragraph. As of December 31 of each year after 1971, the ratio (R) of the Consumer Price Index to such index one year earlier shall be determined, and each beneficiary on the retirement rolls as of July 1 of the year of determination shall be entitled to have his allowance increased effective on July 1 of the year following the year of determination by the same percentage of increase indicated by the ratio (R) calculated to the nearest

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Director



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tenth of one per centum (1/10 of 1%), but not more than four per centum (4%); provided that any such increase in allowances shall be contingent upon the total fund providing sufficient investment gains to cover the additional actuarial liabilities on account of such increase. The determination of whether there are sufficient investment gains to cover the possible postretirement increase in allowance shall reside exclusively within the discretion of the Board of Trustees and shall be informed by the findings within the annual actuarial valuation reports. In considering whether to grant a postretirement increase, the Board of Trustees shall take into account both the rate of inflation as determined by the Consumer Price Index and the record of investment gains or losses during the preceding three-year period.

The allowance of a surviving annuitant of a beneficiary whose allowance is increased under this subsection shall, when and if payable, be increased by the same per centum.

Any increase in allowance granted hereunder shall be permanent, irrespective of any subsequent decrease in the Consumer Price Index, and shall be included in determining any subsequent increase.

Notwithstanding the foregoing linkage between increases in the Consumer Price Index and correlative contingent increases in retirement benefits determined by the availability of sufficient investment gains to cover the additional actuarial liabilities arising from those increased benefits, the Board of Trustees, may in any year, considering an increase, if any, in the Consumer Price Index, fund a cost-of-living increase in a percentage amount, measured in tenths of one percent (1/10 of 1%), of up to four percent (4%), provided that the Board may use only investment gains to fund such an increase.

For purposes of this subsection, Consumer Price Index shall mean the Consumer Price Index (all items – United States city average), as published by the United States Department of Labor, Bureau of Labor Statistics.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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1

HOUSE BILL 616

Short Title: Local Governmental Employees' Retire. COLA.

(Public)

Sponsors: Representative McNeill (Primary Sponsor).

For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Pensions and Retirement, if favorable, Appropriations.

April 13, 2015

A BILL TO BE ENTITLED
AN ACT TO PROVIDE COST-OF-LIVING INCREASES FOR MEMBERS OF THE LOCAL
GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1.(a) G.S. 128-27 is amended by adding five new subsections to read:

"(hhh) From and after July 1, 2006, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased by two and eight-tenths percent (2.8%) of the allowance payable on June 1, 2006, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2006, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2005, but before June 30, 2006, shall be increased by a prorated amount of two and eight-tenths percent (2.8%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2005, and June 30, 2006.

(iii) From and after July 1, 2007, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased by two and two-tenths percent (2.2%) of the allowance payable on June 1, 2007, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2007, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2006, but before June 30, 2007, shall be increased by a prorated amount of two and two-tenths percent (2.2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2006, and June 30, 2007.

(iii) From and after July 1, 2008, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2007, shall be increased by two and fifteen-hundredths percent (2.15%) of the allowance payable on June 1, 2008, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2008, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2007, but before June 30, 2008, shall be increased by a prorated amount of two and fifteen-hundredths percent (2.15%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2007, and June 30, 2008.

(kkk) From and after July 1, 2009, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2008, shall be increased by



1 one-tenth of one percent (.1%) of the allowance payable on June 1, 2009, in accordance with
2 subsection (k) of this section. Furthermore, from and after July 1, 2009, the retirement
3 allowance to or on account of beneficiaries whose retirement commenced after July 1, 2008,
4 but before June 30, 2009, shall be increased by a prorated amount of one-tenth of a percent
5 (.1%) of the allowance payable as determined by the Board of Trustees based upon the number
6 of months that a retirement allowance was paid between July 1, 2008, and June 30, 2009.

7 (III) From and after July 1, 2015, the retirement allowance to or on account of
8 beneficiaries whose retirement commenced on or before July 1, 2014, shall be increased by one
9 percent (1%) of the allowance payable on June 1, 2015, in accordance with subsection (k) of
10 this section. Furthermore, from and after July 1, 2015, the retirement allowance to or on
11 account of beneficiaries whose retirement commenced after July 1, 2014, but before June 30,
12 2015, shall be increased by a prorated amount of one percent (1%) of the allowance payable as
13 determined by the Board of Trustees based upon the number of months that a retirement
14 allowance was paid between July 1, 2014, and June 30, 2015."

15 **SECTION 1.(b)** The cost-of-living increases provided for in G.S. 128-27(hhh)
16 through (kkk), as enacted in subsection (a) of this section, represent increases already provided
17 by the Board of Trustees to members of the Local Governmental Employees' Retirement
18 System.

19 **SECTION 2.** This act becomes effective July 1, 2015.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: House Bill 616 (First Edition)

SHORT TITLE: Local Governmental Employees' Retire. COLA.

SPONSOR(S): Representative McNeill

FUNDS AFFECTED: Local government funds

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System (LGERS)

BILL SUMMARY: Provides a 1.0% cost-of-living adjustment (COLA) to retirees in LGERS, effective July 1, 2015.

EFFECTIVE DATE: July 1, 2015

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

Both Buck Consultants, the actuary for LGERS, and Hartman & Associates, the actuary for the General Assembly, estimate that each 1% COLA requires an increase in the LGERS employer contribution rate of 0.24% of pay. Because the LGERS Board of Trustees has already granted a 0.625% COLA, as authorized under G.S. 128-27(k), the net additional impact of this bill is as follows:

a. Contribution rate increase for 1% COLA	0.24%
b. Contribution rate increase for 0.625% COLA	0.15%
c. Net contribution rate increase due to the bill (a. – b.)	0.09%
d. Estimated active employee compensation	\$5,726,580,000
e. Estimated increase in annual local government contributions due to the bill (c. x d.)	\$5,153,922

Under G.S. 128-27(k), the Board of Trustees is only authorized to grant a COLA to the extent it can be funded by investment gains. 0.625% is the maximum COLA that could be funded with investment gains.

Local governments that participate in LGERS are paying a normal contribution rate of 7.07% on behalf of general employees in FY 2014-15. The normal contribution in the December 31, 2013 valuation, which applies to FY 2015-16, is 6.52% for general employees.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2013 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2013 unless otherwise noted, M = millions)	
	<u>LGERS</u>
Active Members	
Count	123,455
Valuation Compensation (Total)	\$5,556M
Average Age	44
Average Service	10.3
Inactive Members	
Count	50,998
Retired Members	
Count	57,405
Annual Benefits	\$1,039M
Average Age	68
New Retirees During 2014	4,400

Financial Statistics (as of 12/31/2013 unless otherwise noted, M = millions)	
	<u>LGERS</u>
Accrued Liability (AL)	Not meaningful
Actuarial Value of Assets (AVA)	\$21,498M
Market Value of Assets (MVA)	\$21,784M
Unfunded Accrued Liability (AL - AVA)	Not meaningful
Funded Status (AVA / AL)	Not meaningful
Annual Required Contribution (ARC) for FY 2015-16 (as % of pay)	6.52% (non-LEO)
Assumed Rate of Investment Return	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	4.25% - 8.55%
Cost Method	Frozen Entry Age
Amortization	Not applicable
Demographic assumptions based on 2005-2009 experience, RP-2000 mortality with age adjustments, and projection of future mortality improvement with scale AA	

Benefit Provisions	
	<u>LGERS</u>
Formula	1.85% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5
Employee contribution (as % of pay)	6%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "North Carolina Local Governmental Employees' Retirement System, Report on the Actuarial Valuation Prepared as of December 31, 2013", October 2, 2014, which is available on the Department of State Treasurer website.

Hartman & Associates, LLC, "1% COLA for Retirees in the TSERS, LGERS, CJRS, and LRS Systems", March 10, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide

APPROVED BY:

Mark Trogon, Director
Fiscal Research Division

DATE: April 17, 2015



Signed Copy Located in the NCGA Principal Clerk's Offices





HOUSE BILL 385: Increase Sheriffs' Supp. Pension Court Cost

2015-2016 General Assembly

Committee:	House Pensions and Retirement, if favorable, Finance	Date:	April 13, 2015
Introduced by:	Reps. McNeill, Presnell, Shepard, Waddell	Prepared by:	Theresa Matula Committee Staff
Analysis of:	PCS to First Edition H385-CSSH-17		

SUMMARY: *The PCS for House Bill 385 increases from \$1.25 to \$2.50 the portion of court costs used to fund supplemental pension benefits for sheriffs in the Sheriffs' Supplemental Pension Fund and allows unused sick leave in the Local Governmental Employees' Retirement System (LGERS) to be applied as eligible service in the Sheriffs' Supplemental Pension Fund.*

(The PCS combines the original content of HB 385 and amended content from HB 331.)

CURRENT LAW:

G.S. 7A-304(a)(3a) provides \$1.25 from court costs collected in criminal cases to be used to fund the supplemental pension benefits for sheriffs.

G.S. 7A-180(4) provides that the clerk of superior court in district court matters has the power to accept written appearances, waivers of trial or hearing and pleas of guilty or admissions of responsibility for certain types of offenses in accordance with schedules of offenses promulgated by the Conference of Chief District Judges and to enter judgment and collect the fine or penalty and costs.

G.S. 7A-273(2) provides that in misdemeanor or infraction cases involving certain alcohol offenses, traffic offenses, hunting, fishing, State park and recreation area rule offenses, boating offenses, certain burning offenses and littering offenses the magistrate has power to accept written appearances, waivers of trial or hearing and pleas of guilty or admissions of responsibility, in accordance with the schedule of offenses and fines or penalties promulgated by the Conference of Chief District Judges, and to enter judgment and collect the fines or penalties or costs.

Article 12H of Chapter 143 provides the Sheriffs' Supplemental Pension Fund. As described in G.S. 143-166.8, the Fund provides supplemental pension benefits for all county sheriffs who are retired from the Local Governmental Employees' Retirement System (LGERS), or an equivalent locally sponsored plan. The Sheriffs' Supplemental Pension Fund (SSPF) is administered by the NC Department of Justice, Sheriffs' Standards Division.

G.S. 128-26(e) outlines creditable service in the LGERS, including creditable service for unused sick leave.

BILL ANALYSIS: Section 1 of the bill amends G.S. 7A-304(a) which provides for the assessment, collection, and distribution of costs in criminal cases. The bill increases from \$1.25 to \$2.50 the amount that is remitted to the Department of Justice to administer the Sheriffs' Supplemental Pension Fund.

Section 2 of the bill amends G.S. 143-166.84 which outlines eligibility in the Sheriffs' Supplemental Pension Fund (SSPF). The bill provides a new subsection specifying that "eligible service as a sheriff" means membership service rendered since the person became sheriff, and if the person has sick leave standing to his or her credit accrued as a member of the LGERS and following notification to the

O. Walker Reagan
Director



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House Bill 385

Page 2

Retirement Systems Division by the Department of Justice elects to have all of that sick leave applied to service in the SSPF instead of the LGERS, one month of credit for each 20 days or portion thereof, but not less than one hour, and is subject to all the requirements and restrictions of G.S. 128-26(e).

EFFECTIVE DATE: Section 3(a) contains the effective date of Section 1 of the bill pertaining to court costs. Section 1 of the bill would become effective July 1, 2015, and applies to court costs imposed or collected on or after that date, except that in misdemeanor cases disposed of on or after that date by written appearance, waiver of trial or hearing, and plea of guilty or admission of responsibility pursuant to G.S. 7A-180(4) or G.S. 7A-273(2) in which the citation or other criminal process was issued before that date, the cost shall be the lesser of the cost specified in G.S. 7A-304(a), as amended by this act, or the cost specified in the notice portion of the defendant's or respondent's copy of the citation or other criminal process, if any costs are specified in that notice.

Section 3(b) contains the effective date of Section 2 of the bill pertaining to unused sick leave. Section 2 of the bill becomes effective July 1, 2015, and expires January 31, 2019.

Section 3(c) provides that the remainder of the act is effective when it becomes law.

BACKGROUND: The Sheriffs' Supplemental Pension Fund (SSPF) is administered by the NC Department of Justice, Sheriffs' Standards Division. The SSPF is funded by criminal court costs assessed and collected under G.S. 7A-304(a)(3a) which requires \$1.25 to be remitted for supplemental pension benefits for sheriffs. Benefits are based on the Fund's assets. According to the 2013 Annual Report from the Sheriffs' Supplemental Pension Program, the total available assets are divided into equal shares and disbursed as monthly payments.

Information supplied by David Vanderweide, Fiscal Research Division, includes the fact that because this system is based on shares and funded from court costs, it is different from a defined benefit. As the number of individuals eligible for benefits increases, so does the number of shares, which decreases the value of each share. The share value for 2013 was \$748.58. Thus, each additional year of service provides an annual benefit of \$748.58. If a local government awarded 12 days per year of sick leave and an employee never used sick leave, then an employee retiring with 30 years of service would have 18 months of sick leave credit ($12 \times 30 / 20 = 18$). Additionally, the extra benefit due to using a year of sick leave in LGERS, assuming you are otherwise eligible to retire, is $1.85\% \times \text{Average Final Compensation (AFC)}$. At an AFC of \$40,000, that is \$740 per month and at an AFC of \$150,000, it is \$2,775 per month.

David Vanderweide, Fiscal Analyst, Fiscal Research Division, contributed to this summary.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2015

H

D

HOUSE BILL 385*

PROPOSED COMMITTEE SUBSTITUTE H385-CSSH-17 [v.2]

4/13/2015 7:54:57 PM

Short Title: Sheriffs' Supp. Pension Fund Changes.

(Public)

Sponsors:

Referred to:

March 30, 2015

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE PORTION OF COURT COSTS USED FOR THE SHERIFFS' SUPPLEMENTAL PENSION FUND AND TO ALLOW UNUSED SICK LEAVE UNDER THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO BE APPLIED AS ELIGIBLE SERVICE IN THE SHERIFFS' SUPPLEMENTAL PENSION FUND.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 7A-304(a) reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8), (8a), (11), (12), or (13) of this section.

...
(3a) For the supplemental pension benefits of sheriffs, the sum of ~~one dollar twenty-five cents (\$1.25)~~ two dollars fifty cents (\$2.50) to be remitted to the Department of Justice and administered under the provisions of Article 12H of Chapter 143 of the General Statutes.

...."

SECTION 2. G.S. 143-166.84 is amended by adding a new subsection to read:

"(c) For purposes of this Article, the term "eligible service as sheriff" means membership service rendered since the person became sheriff, and if the person has sick leave standing to his or her credit accrued as a member of the Local Governmental Employees' Retirement System and after notification to the Retirement Systems Division by the Department of Justice elects to have all of that sick leave applied to service under this Article instead of service in that System, one month of credit for each 20 days or portion thereof, but not less than one hour, and subject to all the requirements and restrictions of G.S. 128-26(e)."

SECTION 3.(a) Section 1 of this act becomes effective July 1, 2015, and applies to court costs imposed or collected on or after that date, except that in misdemeanor cases disposed of on or after that date by written appearance, waiver of trial or hearing, and plea of guilty or admission of responsibility pursuant to G.S. 7A-180(4) or G.S. 7A-273(2) in which the citation or other criminal process was issued before that date, the cost shall be the lesser of the cost specified in G.S. 7A-304(a), as amended by this act, or the cost specified in the notice



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1 portion of the defendant's or respondent's copy of the citation or other criminal process, if any
2 costs are specified in that notice.

3 **SECTION 3.(b)** Section 2 of this act becomes effective July 1, 2015, and expires
4 January 31, 2019.

5 **SECTION 3.(c)** The remainder of the act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 385*

Short Title: Increase Sheriffs' Supp. Pension Court Cost. (Public)

Sponsors: Representatives McNeill, Presnell, Shepard, and Waddell (Primary Sponsors).

For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Pensions and Retirement, if favorable, Finance.

March 30, 2015

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE PORTION OF COURT COSTS USED FOR THE SHERIFFS'
SUPPLEMENTAL PENSION FUND.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 7A-304(a) reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8), (8a), (11), (12), or (13) of this section.

...

(3a) For the supplemental pension benefits of sheriffs, the sum of ~~one dollar twenty-five cents (\$1.25)~~ two dollars fifty cents (\$2.50) to be remitted to the Department of Justice and administered under the provisions of Article 12H of Chapter 143 of the General Statutes.

...."

SECTION 2. This act becomes effective July 1, 2015, and applies to court costs imposed or collected on or after that date, except that in misdemeanor cases disposed of on or after that date by written appearance, waiver of trial or hearing, and plea of guilty or admission of responsibility pursuant to G.S. 7A-180(4) or G.S. 7A-273(2) in which the citation or other criminal process was issued before that date, the cost shall be the lesser of the cost specified in G.S. 7A-304(a), as amended by this act, or the cost specified in the notice portion of the defendant's or respondent's copy of the citation or other criminal process, if any costs are specified in that notice.



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GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 331

Short Title: Sheriffs' Supp. Pension Fund/Sick Leave.

(Public)

Sponsors: Representatives Saine and Setzer (Primary Sponsors).

For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Pensions and Retirement.

March 24, 2015

A BILL TO BE ENTITLED

AN ACT TO ALLOW UNUSED SICK LEAVE UNDER THE LOCAL GOVERNMENTAL
EMPLOYEES' RETIREMENT SYSTEM TO BE APPLIED AS ELIGIBLE SERVICE IN
THE SHERIFFS' SUPPLEMENTAL PENSION FUND.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 143-166.84 is amended by adding a new subsection to read:

"(c) For purposes of this Article, the term "eligible service as sheriff" means membership service rendered since the person became sheriff, and if the person has sick leave standing to his or her credit accrued as a member of the Local Governmental Employees' Retirement System and elects to have all of that sick leave applied to service under this Article instead of service in that System, one month of credit for each 20 days or portion thereof, but not less than one hour, and subject to all the requirements and restrictions of G.S. 128-26(e)."

SECTION 2. This act becomes effective July 1, 2015.



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GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Fiscal Note

BILL NUMBER: House Bill 385 (First Edition)

SHORT TITLE: Increase Sheriffs' Supp. Pension Court Cost.

SPONSOR(S): Representatives McNeill, Presnell, Shepard, and Waddell

FISCAL IMPACT (\$ in millions)					
	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> No Estimate Available		
State Impact	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
General Fund Revenues:					
General Fund Expenditures:					
Special Fund Revenues:	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9
Special Fund Expenditures:					
State Positions:					
NET STATE IMPACT	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Justice, Administrative Office of the Courts					
EFFECTIVE DATE: July 1, 2015					
TECHNICAL CONSIDERATIONS: None					

FISCAL SUMMARY:

The bill doubles the court cost fee for the supplemental pension benefits of sheriffs from \$1.25 to \$2.50. In FY 2013-14, the amount collected under G.S. 7A-304(3a) was \$903,256. Assuming similar collections in FY 2015-16, this bill would double the total amount collected to \$1,806,512.

BILL SUMMARY:

The bill amends G.S. 7A-304(a)(3a), which provides that when a defendant is convicted or enters a plea of guilty or nolo contendere or when costs are assessed against the prosecuting witness in the superior or district court, the court cost fee assessed for the supplemental pension benefits of sheriffs will increase to \$2.50 from the current amount of \$1.25. This bill is effective on July 1, 2015 and applies to court costs imposed or collected on or after that date. The bill provides for an exception for misdemeanor cases disposed of on or after that date by written appearance, waiver of trial or hearing, or plea of guilty or admission of responsibility in specified circumstances.

The supplemental pension benefits of sheriffs are defined in Section 12H of Chapter 143 of the General Statutes to be equal to one share for each full year of eligible service as a sheriff multiplied by each recipient's years of service as a sheriff, subject to the following limitations:

- a) When combined with the initial benefit from the Local Governmental Employees' Retirement System, the benefit cannot exceed 75% of the recipient's salary immediately preceding retirement.
- b) No benefit may exceed \$1,500 per month.

The value of each share is based on the amount available to be dispersed, which is largely determined by the amount paid in court costs. Thus, by doubling collected court costs, this bill will significantly increase supplemental pensions to sheriffs, in some cases roughly doubling the amount they receive.

ASSUMPTIONS AND METHODOLOGY:

This bill doubles the court cost fee for the supplemental pension benefits of sheriffs from \$1.25 to \$2.50. The courts currently combine the court cost fees in G.S. 7A-304(a)(3) and (3a) for a combined law enforcement officer retirement and insurance court cost of \$7.50. G.S. 7A-304(a)(3) directs that \$6.25 of this amount shall be remitted to the State Treasurer for varying costs related to the retirement and insurance of law enforcement officers. G.S. 7A-304(3a) directs that the funds collected under this provision, which this bill raises from \$1.25 to \$2.50, shall be remitted to the Department of Justice and administered under the provisions of Article 12H of Chapter 143 of the General Statutes.

In FY 2013-14, the amount collected under G.S. 7A-304(3a) was \$903,256. Assuming similar collections in FY 2015-16, this bill would double that amount to \$1,806,512. Adding \$1.25 to criminal court costs would increase the total court costs to the amounts shown below.

Type of Court Case	Total Cost
District Court Infraction	\$179.25
District Court Infraction - Chapter 20 Offense	\$189.25
District Court Misdemeanor	\$181.25
District Court Misdemeanor - Chapter 20 Offense	\$191.25
Superior Court <u>without</u> First Appearance in District Court	\$206.25
Superior Court <u>without</u> First Appearance in District Court - Chapter 20 Offense	\$216.25
Superior Court <u>with</u> First Appearance in District Court	\$335.75
Superior Court <u>with</u> First Appearance in District Court - Chapter 20 Offense	\$345.75
Superior Court Infraction Appealed from District Court for Trial De Novo	\$369.75
Superior Court Infraction Appealed from District Court for Trial De Novo - Chapter 20 Offense	\$389.75
Superior Court Misdemeanor Appealed from District Court for Trial De Novo	\$373.75
Superior Court Misdemeanor Appealed from District Court for Trial De Novo - Chapter 20 Offense	\$393.75

SOURCES OF DATA: Department of Justice; Administrative Office of the Courts; Fiscal Research Division.

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: William Childs and David Vanderweide

APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division

DATE: April 10, 2015



Signed Copy Located in the NCGA Principal Clerk's Offices



Tuesday, April 21
PENSIONS AND
RETIREMENT

Room
425

Time
10:00 am

Name	County	Sponsor
Jacob Johnson	Haywood	Joe Sam Queen
Jessica Vazquez	Guilford	John Faircloth
Byrde Wells Jr.	Dare	Paul Tine



Committee Sergeants at Arms

NAME OF COMMITTEE House Committee on Pensions and Retirement

DATE: 4-21-2015 Room: 425

House Sgt-At Arms:

1. Name: Warren Hawkins
2. Name: Doug Harris
3. Name: David Leighton
4. Name: _____
5. Name: _____

Senate Sgt-At Arms:

1. Name: _____
2. Name: _____
3. Name: _____
4. Name: _____
5. Name: _____



VISITOR REGISTRATION SHEET

House Committee on Pensions and Retirement

4-21-2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Starnes	Treasurer
Solari	DST
Watts	"
Sarah Collins	NCLM
Eddie Caldwell	NC Sheriff's Assn.
R Rogers	NCRGLA
Paul Trole	DST - Retirement
Julia Lohman	NC DOJ - Sheriff's Stds
Nels Roseland	NC DOJ
Elizabeth Jolin	NC DOJ
Christina Steckland	DST



VISITOR REGISTRATION SHEET

House Committee on Pensions and Retirement

4-21-2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Doug Miskew	PSG
David Collins	SEANC
Tim Dwyer	SEANC
Roger Younts	Stoff
Deb Clary	NCSP
Sam Skinner	NCACC
Randy Byrd	PBA
John Miodette	PBA
Larry Presnell	NCRSP
David Ferrell	US
Pam Deardorff	NCRSP



4-21-2015

Date _____

FIRM OR AGENCY AND ADDRESS

NCLAC





House Committee on Pensions and Retirement
Tuesday, April 28, 2015 at 10:00am
Room 415 LOB

MINUTES

The House Committee on Pensions and Retirement met on Tuesday, April 28, 2015 at 10:00 am in Room 415 of the Legislative Office Building. Representatives McNeill, Ross, Michaux, L. Bell, Bishop, Blust, B. Brown, Gill, Holley, and Hurley attended.

Representative Allen McNeill presided and called the meeting to order at 10:06. He introduced the Sergeant at Arms staff and the pages.

The chair recognized Representative Schaffer to explain her bill, HB 205, INCREASE RETIREMENT AGE/JUDGES & MAGISTRATES. There was a brief discussion on the bill and Representative Michaux motioned for a favorable report with a serial referral to Appropriations. The motion passed.

The next bill that was considered was HB 666, WC/FIREFIGHTERS'/PRESUMPTIVE CANCER sponsored by Representative Saine. Representative McNeill recognized Representative Saine to explain his bill. There was discussion on the bill by the members of the committee and Representative Saine. Jason Joyner of the Professional Fire Fighters and Paramedics of NC and Tim Bradley of the North Carolina State Firemans Association were recognized to speak in favor of the bill. Rose Vaughn Williams with the League of Municipalities spoke against the bill.

A motion was then made for a favorable report by Representative Hurley. The motion did not pass and Representative Brian Brown made another motion to the committee for reconsideration of this bill. This motion passed and there was no debate. Representative Brown then motioned for HB 666 to report this bill without prejudice and a recommended referral to Insurance. This motion passed.

There being no further business, Representative McNeill adjourned the meeting at 10:45am.

Respectfully submitted,


Representative Allen McNeill, Chair


Laura Sullivan, Committee Clerk

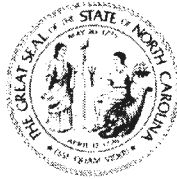


House Committee on Pensions and Retirement

(Name of Committee)

[illegible]





AGENDA

2015-2016 House Committee on Pensions & Retirement

Date: **April 28, 2015**

Room: **415LOB**

Time: **10:00 am**

Presiding: **Representative Allen McNeill, Chairman**

AGENDA ITEMS

HB 205 Increase Retirement Age/Judges & Magistrates

Representative Schaffer, Sponsor

Representative Daughtry, Sponsor

HB 666 WC/Firefighters'/Presumptive Cancer

Representative Saine, Sponsor

Representative Hardister, Sponsor

Representative Boles, Sponsor

Representative Faircloth, Sponsor

ADJOURNMENT



Corrected #1: Adding HB 666

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Pensions and Retirement** will meet as follows:

DAY & DATE: Tuesday, April 28, 2015
TIME: 10:00 AM
LOCATION: 415 LOB
COMMENTS: Rep. McNeill will chair

The following bills will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 205	Increase Retirement Age/Judges & Magistrates.	Representative Schaffer Representative Daughtry
HB 666	WC/Firefighters'/Presumptive Cancer.	Representative Saine Representative Hardister Representative Boles Representative Faircloth

Respectfully,

Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 8:02 AM on Tuesday, April 28, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Laura Sullivan (Committee Assistant)



NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES

PENSIONS AND RETIREMENT COMMITTEE REPORT

Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair

FAVORABLE AND RE-REFERRED

HB 205 (CS#1) Increase Retirement Age/Judges & Magistrates.
Draft Number: None
Serial Referral: **APPROPRIATIONS**
Recommended Referral: None
Long Title Amended: No
Floor Manager: ~~McNeill~~ Schaffer

REPORTED WITHOUT PREJUDICE AND RE-REFERRED

HB 666 WC/Firefighters/Presumptive Cancer.
Draft Number: None
Serial Referral: **APPROPRIATIONS**
Recommended Referral: **INSURANCE**
Long Title Amended: No
Floor Manager: ~~McNeill~~ Saine

TOTAL REPORTED: 2



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HOUSE BILL 205: Increase Retirement Age/Judges & Magistrates

2015-2016 General Assembly

Committee: House Pensions and Retirement
Introduced by: Reps. Schaffer, Daughtry
Analysis of: Second Edition

Date: April 27, 2015
Prepared by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 205 increases the mandatory retirement age for magistrates, and for justices and judges in the General Court of Justice, to allow them to serve until the end of the calendar year in which they attain the age of 75.*

BILL ANALYSIS: House Bill 205 increases the mandatory retirement age for justices, judges, and magistrates from 72 to 75 and allows them to serve until the end of the calendar year in which they turn 75, rather than at the end of the calendar month.

EFFECTIVE DATE: The bill would become effective December 1, 2015, and apply to justices, judges, and magistrates holding office or elected or appointed on or after that date.

BACKGROUND: House Bill 205 is somewhat similar to House Bill 50 which received third reading in the House on 3/25/2015 and has been referred to the Committee and Rules and Operations of the Senate. House Bill 50 amended the mandatory retirement age for magistrates, and for judges and justices of the General Court of Justice to require retirement on December 31 of the year the magistrate, judge or justice attains the age of 72. The two bills have some similarities and some differences and have different effective dates

O. Walker Reagan
Director



Research Division
(919) 733-2578

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GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

2

HOUSE BILL 205
Committee Substitute Favorable 3/18/15

Short Title: Increase Retirement Age/Judges & Magistrates.

(Public)

Sponsors:

Referred to:

March 12, 2015

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE MANDATORY RETIREMENT AGE FOR JUDGES AND JUSTICES OF THE GENERAL COURT OF JUSTICE AND FOR MAGISTRATES, AND TO ALLOW JUDGES, JUSTICES, AND MAGISTRATES TO SERVE UNTIL THE END OF THE CALENDAR YEAR IN WHICH THEY ATTAIN THE AGE OF 75.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 7A-4.20 reads as rewritten:

"§ 7A-4.20. Age limit for service as justice or judge: exception.

No justice or judge of the General Court of Justice may continue in office beyond the last day of ~~the month~~ December of the year in which ~~he~~ the justice or judge attains his ~~seventy-second~~ or her seventy-fifth birthday, but justices and judges so retired may be recalled for periods of temporary service as provided in Subchapters II and III of this chapter."

SECTION 2. G.S. 7A-170(b) reads as rewritten:

"(b) No magistrate may continue in office beyond the last day of ~~the month~~ December of the year in which the magistrate reaches the mandatory retirement age for justices and judges of the General Court of Justice specified in G.S. 7A-4.20."

SECTION 3. G.S. 135-57(b) reads as rewritten:

"(b) Any member who is a justice or judge of the General Court of Justice shall be automatically retired as of ~~the first day of the calendar month coinciding with or next following the later of January 1, 1974, or his~~ January 1 of the calendar year following the member's attainment of his ~~seventy-second~~ or her seventy-fifth birthday; provided, however, that no judge who is a member on January 1, 1974, shall be forced to retire under the provisions of this subsection at an earlier date than the last day that he is permitted to remain in office under the provisions of G.S. 7A-4.20 birthday."

SECTION 4. This act is effective December 1, 2015, and applies to justices, judges, and magistrates holding office or elected or appointed on or after that date.



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GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H.B. 205
Mar 10, 2015
HOUSE PRINCIPAL CLERK

H

D

HOUSE DRH20076-LL-113A (03/05)

Short Title: Increase Retirement Age for Judges. (Public)

Sponsors: Representatives Schaffer and Daughtry (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE THE MANDATORY RETIREMENT AGE FOR JUDGES AND
3 JUSTICES OF THE GENERAL COURT OF JUSTICE.
4 The General Assembly of North Carolina enacts:
5 **SECTION 1.** G.S. 7A-4.20 reads as rewritten:
6 **"§ 7A-4.20. Age limit for service as justice or judge: exception.**
7 No justice or judge of the General Court of Justice may continue in office beyond the last
8 day of the month in which ~~he~~the judge attains his ~~seventy-second~~seventy-fifth birthday,
9 but justices and judges so retired may be recalled for periods of temporary service as provided
10 in Subchapters II and III of this chapter."
11 **SECTION 2.** G.S. 135-57(b) reads as rewritten:
12 "(b) Any member who is a justice or judge of the General Court of Justice shall be
13 automatically retired as of the first day of the calendar month coinciding with or next following
14 the later of January 1, 1974, or ~~his~~the judge's attainment of his ~~seventy-second~~seventy-fifth
15 birthday; provided, however, that no judge who is a member on January 1, 1974,
16 shall be forced to retire under the provisions of this subsection at an earlier date than the last
17 day that he is permitted to remain in office under the provisions of G.S. 7A-4.20."
18 **SECTION 3.** This act is effective December 1, 2015, and applies to justices and
19 judges holding office or elected on or after that date.



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HOUSE BILL 666: WC/Firefighters'/Presumptive Cancer

2013-2014 General Assembly

Committee: House Pensions and Retirement
Introduced by: Reps. Saine, Hardister, Boles, Faircloth
Analysis of: First Edition

Date: April 27, 2015
Prepared by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 666 amends the Workers' Compensation Act to provide that any condition or impairment of health caused by any of the following types of cancers will be deemed occupational diseases of firefighters: Esophageal, Intestinal, Rectal, Testicular, Brain, Non-Hodgkin's Lymphoma, Multiple Myeloma, Mesothelioma, Oral cavity.*

CURRENT LAW:

G.S. 97-52 provides that disablement or death of an employee resulting from an occupational disease described in G.S. 97-53 shall be treated as the happening of an injury by accident within the meaning of the North Carolina Workers' Compensation Act and the procedure and practice and compensation and other benefits provided by said act shall apply in all such cases except as otherwise provided.

G.S. 97-53 lists diseases and conditions that may be deemed occupational diseases for purposes of the Workers' Compensation Act. The diseases and conditions currently listed are not specifically tied to a particular trade, occupation or employment. The list of occupational diseases (G.S. 97-53(13)) includes any disease (other than hearing loss covered in another subdivision) which is proven to be due to causes and conditions which are characteristic of and peculiar to a particular trade, occupation or employment but excluding all ordinary diseases of life to which the general public is equally exposed outside of the employment.

Under current law a firefighter would have to prove that he or she has a condition that arose due to causes and conditions which are characteristic of and peculiar to employment as a firefighter and that their condition is not an ordinary disease of life to which the general public is equally exposed outside of the employment.

BILL ANALYSIS:

House Bill 666 amends the Workers Compensation Act to include provisions specifically related to occupational diseases of firefighters.

Section 1 of the bill amends G.S. 97-53 pertaining to diseases and conditions deemed to be occupational diseases under the Workers Compensation Act. The bill places the current law contained in G.S. 97-53 in a new subsection (a) and titles it "Occupational Diseases Due to Exposure to Chemicals." Section 1 also adds a new subsection (b) specifying that any condition or impairment of a firefighter's health caused by any of the following types of cancers shall be deemed to be occupational diseases of firefighters within the meaning of the Article:

- Esophageal.
- Intestinal.
- Rectal.
- Testicular.
- Brain.





House Bill 666

Page 2

- Non-Hodgkin's Lymphoma.
- Multiple Myeloma.
- Mesothelioma.
- Oral cavity.

Section 2 of the bill adds a new section to the Workers' Compensation Act pertaining to the compensability of firefighter occupational diseases. The new section includes the following elements:

- **Findings** - Subsection (a) provides that the General Assembly finds firefighting is a hazardous occupation that routinely exposes firefighters to hazardous agents such as carbon monoxide, carcinogens, particulate matter, and a broad array of other toxic chemicals, and that firefighters as a class face an increased risk of certain cancers.
- **Intent** - Subsection (b) provides language to recognize that firefighting is a hazardous occupation essential to protecting the personal safety of the citizens of the State.
- **Definitions** - Subsection (c) provides a definitions section containing definitions of the following: Disability and Firefighter. Disability is defined as incapacity due to an occupational disease described in G.S. 97-53(b) to earn the wages that the firefighter was receiving at the time of manifestation of the occupational disease. A firefighter is defined as a paid, partially paid, or volunteer member of a fire department of a unit of local government.
- **Presumed Eligibility** - Subsection (d) provides that a firefighter will be presumed eligible for compensation for occupational disease if the following conditions are met:
 1. The firefighter was required to submit to a physical examination upon entering the service, the exam failed to reveal any evidence of a firefighter occupational disease, and the firefighter has completed at least 5 years of service for the unit of local government.
 2. The firefighter was not required to submit to a physical examination upon entering the service and, at the time of disability by an occupational disease, the firefighter has completed at least 5 years of continuous service immediately preceding January 1, 2015.
- **Burden of Rebuttal** - Subsection (e) provides that in the case of a firefighter occupational disease described in G.S. 97-53(b), the unit of local government has the burden of proving by a preponderance of competent evidence that the condition was caused by some means other than the firefighter's occupation in order to disqualify the firefighter from receiving compensation for occupational disease.
- **Applicability** - Subsection (f) provides that the section applies only to firefighters of local government.

EFFECTIVE DATE: House Bill 666 would become effective when it becomes law and applies to workers' compensation benefit claims filed on or after that date.



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 666

Short Title: WC/Firefighters'/Presumptive Cancer. (Public)

Sponsors: Representatives Saine, Hardister, Boles, and Faircloth (Primary Sponsors).
For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Rules, Calendar, and Operations of the House.

April 14, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO CREATE A PRESUMPTION THAT CERTAIN CANCERS ARE
3 OCCUPATIONAL DISEASES FOR FIREFIGHTERS EMPLOYED BY UNITS OF
4 LOCAL GOVERNMENT THAT ARE COVERED BY THE WORKERS'
5 COMPENSATION ACT.

6 The General Assembly of North Carolina enacts:

7 SECTION 1. G.S. 97-53 reads as rewritten:

8 "§ 97-53. Occupational diseases ~~enumerated; when due to exposure to~~
9 ~~chemicals.enumerated.~~

10 (a) Occupational Diseases Due to Exposure to Chemicals. – The following diseases and
11 conditions only shall be deemed to be occupational diseases within the meaning of this Article:

12 ...

13 (6) ~~Lead poisoning. Provided poisoning if the employee shall have been was~~
14 ~~exposed to the hazard of lead poisoning for at least 30 days in the preceding~~
15 ~~12 months' period; and, provided further, only 12-month period. Only the~~
16 ~~employer in whose employment such employee was last injuriously exposed~~
17 ~~shall be liable.~~

18 ...

19 Occupational diseases caused by chemicals shall be deemed to be due to exposure of an
20 employee to the chemicals herein mentioned only when as a part of the employment such
21 employee is exposed to such chemicals in such form and quantity, and used with such
22 frequency as to cause the occupational disease mentioned in connection with such chemicals.

23 (b) Occupational Diseases of Firefighters. – Any condition or impairment of health
24 caused by any of the following types of cancers shall be deemed to be occupational diseases of
25 firefighters within the meaning of this Article:

- 26 (1) Esophageal.
27 (2) Intestinal.
28 (3) Rectal.
29 (4) Testicular.
30 (5) Brain.
31 (6) Non-Hodgkin's Lymphoma.
32 (7) Multiple Myeloma.
33 (8) Mesothelioma.
34 (9) Oral cavity."



1 **SECTION 2.** Article 1 of Chapter 97 of the General Statutes is amended by adding
2 a new section to read:

3 **"§ 97-53.1. Compensability of firefighter occupational diseases.**

4 (a) Findings. – The General Assembly finds that:

- 5 (1) Firefighting is a particularly hazardous occupation that requires firefighters
6 to work under constantly changing and often unstable environments.
7 (2) Firefighters are routinely exposed to hazardous agents such as carbon
8 monoxide, carcinogens, particulate matter, and a broad array of other toxic
9 chemicals generated from the smoke of burning materials.
10 (3) Firefighters as a class face an increased risk of certain cancers as a result of
11 their duties and responsibilities toward the general public.

12 (b) Intent. – Recognizing that firefighting is a hazardous occupation that is essential to
13 protecting the personal safety of the citizens of this State, it is in the interest of the public and
14 the welfare of those who perform firefighting activities to ensure that firefighters are
15 adequately compensated for injuries, illnesses, and deaths that are causally related to their
16 firefighting activities. Therefore, it is the intent of the General Assembly to presume that the
17 diseases specified in G.S. 97-53(b) are occupationally related to firefighting for the purpose of
18 determining eligibility for compensation under the Workers' Compensation Act.

19 (c) Definitions. – The following definitions apply in this section:

- 20 (1) Disability. – Incapacity because of an occupational disease described in
21 G.S. 97-53(b) to earn the wages that the firefighter was receiving at the time
22 of manifestation of the occupational disease.
23 (2) Firefighter. – A paid, partially paid, or volunteer member of a fire
24 department of a unit of local government.

25 (d) Presumed Eligibility. – A firefighter shall be presumed eligible for compensation for
26 occupational disease under this Article if either of the following sets of conditions is met:

- 27 (1) The firefighter was required to submit to a physical examination upon
28 entering the service of the unit of local government as a firefighter, the
29 examination failed to reveal any evidence of a firefighter occupational
30 disease described in G.S. 97-53(b), and the firefighter has completed at least
31 five years of service as a firefighter for the unit of local government.
32 (2) The firefighter was not required to submit to a physical examination upon
33 entering the service of the unit of local government as a firefighter and, at
34 the time of disability by an occupational disease described in G.S. 97-53(b),
35 the firefighter has completed at least five years of continuous service
36 immediately preceding January 1, 2015, as a firefighter for the unit of local
37 government.

38 (e) Burden of Rebuttal. – In the case of the a firefighter occupational disease described
39 in G.S. 97-53(b), the unit of local government has the burden of proving by a preponderance of
40 competent evidence that the condition was caused by some means other than the firefighter's
41 occupation in order to disqualify the firefighter from receiving compensation for occupational
42 disease pursuant to this section.

43 (f) Applicability. – This section applies to firefighters of units of local government
44 only."


45 **SECTION 3.** This act is effective when it becomes law and applies to claims for
46 workers' compensation benefits filed on or after that date.

House Committee on Pensions and Retirement
Tuesday, May 12, 2015 at 10:00 AM
Room 415 of the Legislative Office Building

MINUTES

The House Committee on Pensions and Retirement met at 10:00 AM on May 12, 2015 in Room 415 of the Legislative Office Building. Representatives L. Bell, Blust, B. Brown, Elmore, Holley, Hurley, Langdon, McNeill, Michaux, Ross, and Waddell attended.

Representative Stephen M. Ross, Chair, presided. **HB 759 Retirement System COLAs** was presented before the committee by **Representative L. Bell**. A proposed committee substitute was introduced with a motion from Representative Michaux. After lengthy discussion Representative Michaux proposed an amendment but the amendment failed. Representative Waddell motioned for a favorable report for the proposed committee substitute and an unfavorable report to the original bill. The chair called for a vote and saw the Ayes had it. Seeing there was no more business, the meeting adjourned at 10:34am.



Representative Stephen M. Ross, Chair
Presiding



Laura Spratley, Committee Clerk



House Committee on Pensions and Retirement

(Name of Committee)

[illegible]



House Committee on Pensions and Retirement
Tuesday, May 12, 2015, 10:00 AM
415 Legislative Office Building

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
HB 759	Retirement System COLAs.	Representative L. Bell

Adjournment



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

PENSIONS AND RETIREMENT COMMITTEE REPORT

Representative Allen McNeill, Co-Chair

Representative Stephen M. Ross, Co-Chair

FAVORABLE COM SUB , UNFAVORABLE ORIGINAL BILL AND RE-REFERRED

HB 759

Retirement System COLAs.

Draft Number: H759-PCS30378-SH-39

Serial Referral: **APPROPRIATIONS**

Recommended Referral: None

Long Title Amended: Yes

Floor Manager: L. Bell

TOTAL REPORTED: 1



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HOUSE BILL 759: Retirement System COLAs

2015-2016 General Assembly

Committee:	House Pensions and Retirement, if favorable, Appropriations	Date:	May 11, 2015
Introduced by:	Rep. L. Bell	Prepared by:	Theresa Matula Committee Staff
Analysis of:	PCS to First Edition H759-CSSH-39		

SUMMARY: *The PCS for House Bill 759 provides a 1% Cost-of-Living increase to beneficiaries of the Teachers' and State Employees' Retirement System, the Legislative Retirement System, and the Consolidated Judicial Retirement System.*

The PCS changes the increase from 2% to 1% for each system and removes the language relating to the increase for Local Governmental Employees Retirement System since it was contained in HB 616 which received a favorable report from the House Pensions and Retirement Committee, the full House, and has now been referred to the Committee on Rules and Operations of the Senate.

BILL ANALYSIS:

Section 1 of the PCS for HB 759 provides a 1% retirement allowance increase to beneficiaries of the Teachers' and State Employees' Retirement System.

Section 2 of the PCS provides a 1% retirement allowance increase to beneficiaries of the Legislative Retirement System.

Section 3 of the PCS provides a 1% retirement allowance increase to beneficiaries of the Consolidated Judicial Retirement System.

EFFECTIVE DATE: This bill would become effective July 1, 2015.

O. Walker Reagan
Director



Research Division
(919) 733-2578



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

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HOUSE BILL 759
PROPOSED COMMITTEE SUBSTITUTE H759-CSSH-39 [v.2]

5/7/2015 3:10:42 PM

Short Title: Retirement System COLAs.

(Public)

Sponsors:

Referred to:

April 15, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE COST-OF-LIVING INCREASES FOR MEMBERS OF THE
3 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE
4 LEGISLATIVE RETIREMENT SYSTEM, AND THE CONSOLIDATED JUDICIAL
5 RETIREMENT SYSTEM.

6 The General Assembly of North Carolina enacts:

7 **SECTION 1.** G.S. 135-5 is amended by adding a new subsection to read:

8 "(uuu) From and after July 1, 2015, the retirement allowance to or on account of
9 beneficiaries whose retirement commenced on or before July 1, 2014, shall be increased by one
10 percent (1%) of the allowance payable on June 1, 2014, in accordance with G.S. 135-5(o).
11 Furthermore, from and after July 1, 2015, the retirement allowance to or on account of
12 beneficiaries whose retirement commenced after July 1, 2014, but before June 30, 2015, shall
13 be increased by a prorated amount of one percent (1%) of the allowance payable as determined
14 by the Board of Trustees based upon the number of months that a retirement allowance was
15 paid between July 1, 2014, and June 30, 2015."

16 **SECTION 2.** G.S. 120-4.22A is amended by adding a new subsection to read:

17 "(z) In accordance with subsection (a) of this section, from and after July 1, 2015, the
18 retirement allowance to or on account of beneficiaries whose retirement commenced on or
19 before January 1, 2015, shall be increased by one percent (1%) of the allowance payable on
20 June 1, 2015. Furthermore, from and after July 1, 2015, the retirement allowance to or on
21 account of beneficiaries whose retirement commenced after January 1, 2015, but before June
22 30, 2015, shall be increased by a prorated amount of one percent (1%) of the allowance payable
23 as determined by the Board of Trustees based upon the number of months that a retirement
24 allowance was paid between January 1, 2014, and June 30, 2015."

25 **SECTION 3.** G.S. 135-65 is amended by adding a new subsection to read:

26 "(ff) From and after July 1, 2015, the retirement allowance to or on account of
27 beneficiaries whose retirement commenced on or before July 1, 2014, shall be increased by one
28 percent (1%) of the allowance payable on June 1, 2015. Furthermore, from and after July 1,
29 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced
30 after July 1, 2014, but before June 30, 2015, shall be increased by a prorated amount of one
31 percent (1%) of the allowance payable as determined by the Board of Trustees based upon the
32 number of months that a retirement allowance was paid between July 1, 2014, and June 30,
33 2015."

34 **SECTION 4.** This act becomes effective July 1, 2015.





GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 759

Short Title: Retirement System COLAs.

(Public)

Sponsors: Representative L. Bell (Primary Sponsor).

For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Pensions and Retirement, if favorable, Appropriations.

April 15, 2015

A BILL TO BE ENTITLED
AN ACT TO PROVIDE COST-OF-LIVING INCREASES FOR MEMBERS OF THE
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL
GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, THE LEGISLATIVE
RETIREMENT SYSTEM, AND THE CONSOLIDATED JUDICIAL RETIREMENT
SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-5 is amended by adding a new subsection to read:

"(uuu) From and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2014, shall be increased by two percent (2%) of the allowance payable on June 1, 2014, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2014, but before June 30, 2015, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2014, and June 30, 2015."

SECTION 2.(a) G.S. 128-27 is amended by adding five new subsections to read:

"(hhh) From and after July 1, 2006, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased by two and eight-tenths percent (2.8%) of the allowance payable on June 1, 2006, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2006, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2005, but before June 30, 2006, shall be increased by a prorated amount of two and eight-tenths percent (2.8%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2005, and June 30, 2006.

(iii) From and after July 1, 2007, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased by two and two-tenths percent (2.2%) of the allowance payable on June 1, 2007, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2007, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2006, but before June 30, 2007, shall be increased by a prorated amount of two and two-tenths percent (2.2%) of the allowance payable as determined by the Board of Trustees based upon the



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number of months that a retirement allowance was paid between July 1, 2006, and June 30, 2007.

(jii) From and after July 1, 2008, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2007, shall be increased by two and fifteen-hundredths percent (2.15%) of the allowance payable on June 1, 2008, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2008, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2007, but before June 30, 2008, shall be increased by a prorated amount of two and fifteen-hundredths percent (2.15%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2007, and June 30, 2008.

(kkk) From and after July 1, 2009, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2008, shall be increased by one-tenth of one percent (0.1%) of the allowance payable on June 1, 2009, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2009, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2008, but before June 30, 2009, shall be increased by a prorated amount of one-tenth of one percent (0.1%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2008, and June 30, 2009.

(lll) From and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2014, shall be increased by two percent (2%) of the allowance payable on June 1, 2015, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2014, but before June 30, 2015, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2014, and June 30, 2015."

SECTION 2.(b) The cost-of-living increases provided for in G.S. 128-27(hhh) through (kkk), as enacted in subsection (a) of this section, represent increases already provided by the Board of Trustees to members of the Local Governmental Employees' Retirement System.

SECTION 3. G.S. 120-4.22A is amended by adding a new subsection to read:

"(z) In accordance with subsection (a) of this section, from and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 2015, shall be increased by two percent (2%) of the allowance payable on June 1, 2015. Furthermore, from and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 2015, but before June 30, 2015, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2014, and June 30, 2015."

SECTION 4. G.S. 135-65 is amended by adding a new subsection to read:

"(ff) From and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2014, shall be increased by two percent (2%) of the allowance payable on June 1, 2015. Furthermore, from and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2014, but before June 30, 2015, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2014, and June 30, 2015."

SECTION 5. This act becomes effective July 1, 2015.

STATE
GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: Proposed Committee Substitute to House Bill 759 (H759-CSSH-39 [v.2])

SHORT TITLE: Retirement System COLAs.

SPONSOR(S): Representative L. Bell

FUNDS AFFECTED: State General Fund for TSERS, CJRS, and LRS; State Highway Fund and other State employer receipts for TSERS

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS), Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS).

BILL SUMMARY: The Proposed Committee Substitute provides 1.0% cost-of-living adjustments (COLAs) in TSERS, CJRS, and LRS, effective July 1, 2015.

EFFECTIVE DATE: July 1, 2015

ESTIMATED IMPACT ON STATE:

Buck Consultants, the actuary for the TSERS, CJRS, and LRS, estimates that the provisions of the proposed legislation will have an annual cost in FY 2015-16 and subsequent years as follows:

	<u>TSERS</u>	<u>CJRS</u>	<u>LRS</u>
Percent of Payroll	0.39%	0.64%	0.80%
General Fund	\$ 38,664,600	\$ 454,400	\$ 28,960
Highway Fund	\$ 1,228,500	\$ 0	\$ 0
Receipt Funds	\$ 16,507,612	\$ 0	\$ 0
Total Annual Cost	\$ 56,400,712	\$ 454,400	\$ 28,960
Increase in Unfunded Liability	\$ 378,900,000	\$ 3,300,000	\$ 200,000

Hartman & Associates, the actuary for the General Assembly, estimates that the provisions of the proposed legislation will have an annual cost in FY 2015-16 and subsequent years as follows:

	<u>TSERS</u>	<u>CJRS</u>	<u>LRS</u>
Percent of Payroll	0.38%	0.63%	0.78%
General Fund	\$ 37,673,200	\$ 447,300	\$ 28,236
Highway Fund	\$ 1,197,000	\$ 0	\$ 0
Receipt Funds	\$ 16,084,340	\$ 0	\$ 0
Total Annual Cost	\$ 54,954,540	\$ 447,300	\$ 28,236

The figures above assume that no actuarial gains are used to cover the cost of the COLA provisions. TSERS and CJRS have sufficient gains available to cover the cost of the COLA.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2013 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2013 unless otherwise noted, M = millions)			
	<u>TSERS</u>	<u>CJRS</u>	<u>LRS</u>
Active Members			
Count	310,370	566	170
General Fund Compensation	\$9,914M	\$71M	\$4M
Valuation Compensation (Total)	\$13,608M	\$71M	\$4M
Average Age	45	55	57
Average Service	10.6	13.1	5.9
Inactive Members			
Count	125,513	53	94
Retired Members			
Count	187,448	584	311
Annual Benefits	\$3,871M	\$35M	\$2M
Average Age	70	72	76
New Retirees During 2014	11,500	30	3

Financial Statistics (as of 12/31/2013 unless otherwise noted, M = millions)			
	<u>TSERS</u>	<u>CJRS</u>	<u>LRS</u>
Accrued Liability (AL)	\$65,806M	\$549M	\$25M
Actuarial Value of Assets (AVA)	\$62,364M	\$507M	\$29M
Market Value of Assets (MVA)	\$62,789M	\$512M	\$30M
Unfunded Accrued Liability (AL - AVA)	\$3,442M	\$43M	(\$5M)
Funded Status (AVA / AL)	95%	92%	119%
Annual Required Contribution (ARC) for FY 2015-16 (as % of pay)	8.69%	26.37%	1.80%
Assumed Rate of Investment Return	7.25%	7.25%	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	4.25% - 9.10%	5.00% - 5.95%	7.50%
Cost Method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit
Amortization	12 year, closed, flat \$	12 year, closed, flat \$	8 year, open, flat \$
Demographic assumptions based on 2005-2009 experience, RP-2000 mortality with age adjustments, and projection of future mortality improvement with scale AA, except for LRS which is based on GAM-71.			

Benefit Provisions			
	<u>TSERS</u>	<u>CJRS</u>	<u>LRS</u>
Formula	1.82% x Service x 4 Year Avg Pay	3.02% to 4.02% x Service x Final Pay	4.02% x Service x Highest Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	50/24; 65/5	65/5
Employee contribution (as % of pay)	6%	6%	7%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Teachers' and State Employees' Retirement System of North Carolina, Report on the Seventy-First Actuarial Valuation Prepared as of December 31, 2013", October 2, 2014, which is available on the Department of State Treasurer website.

Buck Consultants, "Consolidated Judicial Retirement System of North Carolina, Report on the Actuarial Valuation Prepared as of December 31, 2013", October 2, 2014, which is available on the Department of State Treasurer website.

Buck Consultants, "Legislative Retirement System of North Carolina, Report on the Actuarial Valuation Prepared as of December 31, 2013", October 6, 2014, which is available on the Department of State Treasurer website.

Hartman & Associates, LLC, "1% COLA for Retirees in the TSERS, LGERS, CJRS, and LRS Systems", March 10, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide

David Vanderweide

APPROVED BY:

A handwritten signature in dark ink, appearing to read 'MTG', is positioned above the printed name.

Mark Trogon, Director
Fiscal Research Division

DATE: May 8, 2015



North Carolina General Assembly - House Sergeant-at-Arms

House Staff

Committee: H CMTE
PENSIONS & RETIREMENT Date: 11 APR 15

Pages

Name: ALYSSA BAKER

County: HALIFAX Sponsor: MICHAEL WRAY

Name: Madeline Coggins

County: Randolph Sponsor: PAT HURLEY

Name: DANICA LUCAS

County: WAKE Sponsor: MARVIN LUCAS

Name: _____

County: _____ Sponsor: _____

Name: _____

County: _____ Sponsor: _____

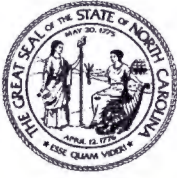
Sergeants-at-Arms

BARRY MOORE

B. H. Powell

David Linthicum





North Carolina General Assembly - House Sergeant-at-Arms

Visitors

Committee: H. Cmt. on Pensions & Retirement Date: 11 MAY 15

Name	Organization
Adam Pridemore	NCASTA
Tracy Presnell Jr.	NCRSP
Tom Bennett	NCRSP
Pam Deardorff	NCRSP
B Rogers	NCRGEA -
Chetney Metcalf	NCRGEA
Sarah Collins	NCLM
Sam Skinner	NACC
John Long	NSS
Tonya Horton	TSS
Flint Benson	SEANC
Suzanne Beesley	SEANC
Steve Trob	DST
Sam Watts	DST
Jinda Dunc	NGAE
Kukuya Kellahurst	WRSP
John Sparrow	OSBM





House Committee on Pensions and Retirement
Wednesday, May 20, 2015 at 11:00am
Room 415 LOB

MINUTES

The House Committee on Pensions and Retirement met on Wednesday, May 20, 2015 at 11:00 am in Room 415 of the Legislative Office Building. Representatives McNeill, Ross, Michaux, L. Bell, Bishop, B. Brown, Elmore, Gill, Holley, Hurley and Waddell attended.

Representative Allen McNeill presided and called the meeting to order at 11:00. He introduced the Sergeant at Arms staff and the pages.

Representative McNeill then said without objection there was a Committee Substitute #2 before the committee. Representative B. Brown was recognized for a motion. He made a motion for favorable to CS#2 with a serial referral to Rules.

There was a short discussion on the changes of the Committee Substitute #2. Representative Nelson Dollar was recognized to answer questions from the committee. Mr. David Vanderweide from Fiscal Staff also answered questions from the committee and explained the Actuarial Note.

Following the discussion, the motion was then voted on and it passed as favorable to the Committee Substitute #2 with a serial referral to Rules.

There being no further business, Representative McNeill adjourned the meeting at 11:05am.

Respectfully submitted,



Representative Allen McNeill, Chair



Laura Sullivan, Committee Clerk



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Pensions and Retirement** will meet as follows:

DAY & DATE: Wednesday, May 20, 2015

TIME: 9:00 AM

LOCATION: 415 LOB

COMMENTS: HB 97, 2015 Appropriations Act; Rep. McNeill will be chairing.

Respectfully,

Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 2:08 PM on Tuesday, May 19, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Laura Sullivan (Committee Assistant)



Corrected #1: Time changed to 11:00 a.m.

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Pensions and Retirement** will meet as follows:

DAY & DATE: Wednesday, May 20, 2015

TIME: 11:00 AM

LOCATION: 415 LOB

COMMENTS: HB 97, 2015 Appropriations Act; Rep. McNeill will be chairing.

Respectfully,

Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 9:41 PM on Tuesday, May 19, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Laura Sullivan (Committee Assistant)





AGENDA

2015-2016 House Committee on Pensions & Retirement

Date: **May20, 2015**

Room: **415 LOB**

Time: **9:00 am**

Presiding: **Representative Allen McNeill, Chairman**

AGENDA ITEMS

HB 97 2015 Appropriations Act

ADJOURNMENT



eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, nineteen and two-tenths percent (19.2%) after 20 years of service, ~~and twenty-four percent (24%) after 25 years of service.~~ service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of ~~Justice or Justice,~~ as a member of the Utilities ~~Commission.~~ Commission, or as an administrative law judge. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 30.19.(c) G.S. 7A-44(b) reads as rewritten:

"(b) In lieu of merit and other increment raises paid to regular State employees, a judge of the superior court, regular or special, shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, nineteen and two-tenths percent (19.2%) after 20 years of service, ~~and twenty-four percent (24%) after 25 years of service.~~ service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of ~~Justice or Justice,~~ as a member of the Utilities ~~Commission or Commission,~~ as director or assistant director of the Administrative Office of the ~~Courts.~~ Courts, or as an administrative law judge. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 30.19.(d) G.S. 7A-144(b) reads as rewritten:

"(b) Notwithstanding merit, longevity and other increment raises paid to regular State employees, a judge of the district court shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, nineteen and two-tenths percent (19.2%) after 20 years of service, ~~and twenty-four percent (24%) after 25 years of service.~~ service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of ~~Justice or Justice,~~ as a member of the Utilities ~~Commission or Commission,~~ as director or assistant director of the Administrative Office of the ~~Courts.~~ Courts, or as an administrative law judge. Service shall also mean service as a district attorney or as a clerk of superior court."

SALARY-RELATED CONTRIBUTIONS

SECTION 30.20.(a) Effective for the 2015-2017 fiscal biennium, required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employee's salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

SECTION 30.20.(b) Effective July 1, 2015, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2015-2017 fiscal biennium are (i) fifteen and sixty-seven hundredths percent (15.67%) – Teachers and State Employees; (ii) twenty and sixty-seven hundredths percent (20.67%) – State

1 Law Enforcement Officers; (iii) twelve and eighty-six hundredths percent (12.86%) –
2 University Employees' Optional Retirement Program; (iv) twelve and eighty-six hundredths
3 percent (12.86%) – Community College Optional Retirement Program; (v) thirty-three and
4 twenty-six hundredths percent (33.26%) – Consolidated Judicial Retirement System; and (vi)
5 nine and one hundredth percent (9.01%) – Legislative Retirement System. Each of the
6 foregoing contribution rates includes five and sixty-one hundredths percent (5.61%) for
7 hospital and medical benefits. The rate for the Teachers and State Employees, State Law
8 Enforcement Officers, University Employees' Optional Retirement Program, and the
9 Community College Optional Retirement Program includes forty-one hundredths percent
10 (0.41%) for the Disability Income Plan. The rates for Teachers and State Employees and State
11 Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits
12 Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental
13 Retirement Income. The rate for Teachers and State Employees and State Law Enforcement
14 Officers includes one hundredth percent (0.01%) for the Qualified Excess Benefit
15 Arrangement.

16 **SECTION 30.20.(c)** Effective July 1, 2015, the maximum annual employer
17 contributions, payable monthly, by the State for each covered employee or retiree for the
18 2015-2016 fiscal year to the State Health Plan for Teachers and State Employees are (i)
19 Medicare-eligible employees and retirees – four thousand two hundred fifty-eight dollars
20 (\$4,258) and (ii) non-Medicare-eligible employees and retirees – five thousand four hundred
21 seventy-nine dollars (\$5,479).

22
23 **PROVIDE COST-OF-LIVING INCREASES FOR MEMBERS OF THE TEACHERS'**
24 **AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LEGISLATIVE**
25 **RETIREMENT SYSTEM, AND THE CONSOLIDATED JUDICIAL RETIREMENT**
26 **SYSTEM**

27 **SECTION 30.21.(a)** G.S. 135-5 is amended by adding a new subsection to read:
28 "(uuu) From and after July 1, 2015, the retirement allowance to or on account of
29 beneficiaries whose retirement commenced on or before July 1, 2014, shall be increased by two
30 percent (2%) of the allowance payable on June 1, 2014, in accordance with G.S. 135-5(o).
31 Furthermore, from and after July 1, 2015, the retirement allowance to or on account of
32 beneficiaries whose retirement commenced after July 1, 2014, but before June 30, 2015, shall
33 be increased by a prorated amount of two percent (2%) of the allowance payable as determined
34 by the Board of Trustees based upon the number of months that a retirement allowance was
35 paid between July 1, 2014, and June 30, 2015."

36 **SECTION 30.21.(b)** G.S. 120-4.22A is amended by adding a new subsection to
37 read:

38 "(z) In accordance with subsection (a) of this section, from and after July 1, 2015, the
39 retirement allowance to or on account of beneficiaries whose retirement commenced on or
40 before January 1, 2015, shall be increased by two percent (2%) of the allowance payable on
41 June 1, 2015. Furthermore, from and after July 1, 2015, the retirement allowance to or on
42 account of beneficiaries whose retirement commenced after January 1, 2015, but before June
43 30, 2015, shall be increased by a prorated amount of two percent (2%) of the allowance payable
44 as determined by the Board of Trustees based upon the number of months that a retirement
45 allowance was paid between January 1, 2014, and June 30, 2015."

46 **SECTION 30.21.(c)** G.S. 135-65 is amended by adding a new subsection to read:
47 "(ff) From and after July 1, 2015, the retirement allowance to or on account of
48 beneficiaries whose retirement commenced on or before July 1, 2014, shall be increased by two
49 percent (2%) of the allowance payable on June 1, 2015. Furthermore, from and after July 1,
50 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced
51 after July 1, 2014, but before June 30, 2015, shall be increased by a prorated amount of two

percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2014, and June 30, 2015."

USE OF FUNDS APPROPRIATED FOR STATE RETIREMENT CONTRIBUTION AND STATE HEALTH PLAN INCREASES

SECTION 30.22.(a) The appropriations set forth in Section 2.1 of this act include appropriations for State Retirement contribution and State Health Plan increases in amounts set forth in the committee report described in Section 33.2 of this act. The Office of State Budget and Management shall ensure that those funds are used only for State Retirement contribution and State Health Plan increases.

SECTION 30.22.(b) If the Director of the Budget determines that funds appropriated to a State agency for increases exceed the amount required by that agency for that purpose, the Director may reallocate those funds to other State agencies that received insufficient funds for State Retirement contribution and State Health Plan increases.

SECTION 30.22.(c) No later than January 1, 2016, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations on the expenditure of funds for State Retirement contribution and State Health Plan increases. This report shall include at least the following information for each State agency for the 2015-2016 fiscal year:

- (1) The total amount of funds that the agency received for State Retirement contribution and State Health Plan increases.
- (2) The total amount of funds transferred from the agency to other State agencies pursuant to subsection (b) of this section. This section of the report shall identify the amounts transferred to each recipient State agency.
- (3) The total amount of funds used by the agency for State Retirement contribution and State Health Plan increases.
- (4) The total amount of funds received by the agency for State Retirement contribution and State Health Plan increases that are anticipated to revert at the end of the fiscal year.

ENHANCE THE BENEFITS OF PROBATION/PAROLE OFFICERS WHO ARE MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

SECTION 30.23.(a) G.S. 135-1 reads as rewritten:

"§ 135-1. Definitions.

The following words and phrases as used in this Chapter, unless a different meaning is plainly required by the context, shall have the following meanings:

...

(11c) "Law-Enforcement Officer" means a full-time paid employee of an employer who is actively serving in a position with assigned primary duties and responsibilities for prevention and detection of crime or the general enforcement of the criminal laws of the State of North Carolina or serving civil processes, and who possesses the power of arrest by virtue of an oath administered under the authority of the State. "Law-Enforcement Officer" also means a probation/parole officer as defined in this section with respect to any service rendered on or after July 1, 2015.

...

(17a) "Probation/Parole Officer" means a full-time paid employee of the Division of Adult Correction of the Department of Public Safety whose duties include supervising, evaluating, or otherwise instructing offenders who have been

placed on probation, parole, post-release supervision, or have been assigned to any other community-based program operated by the Division of Adult Correction.

...."

SECTION 30.23.(b) G.S. 143-166.41(b) reads as rewritten:

"(b) As used in this section, "creditable service" means the service for which credit is allowed under the retirement system of which the officer is a member, provided that at least fifty percent (50%) of the service is as a law enforcement officer as herein ~~defined~~defined or as a probation/parole officer as defined in G.S. 135-1(17a)."

SECTION 30.23.(c) This section becomes effective July 1, 2015, and applies to persons retiring on or after that date.

ENHANCE BENEFITS PAYABLE THROUGH THE NATIONAL GUARD PENSION FUND

SECTION 30.24. G.S. 127A-40(a) reads as rewritten:

"(a) Every member and former member of the North Carolina National Guard who meets the requirements of this section shall receive, commencing at age 60, a pension of ~~ninety-nine dollars (\$99.00)~~ one hundred five dollars (\$105.00) per month for 20 years' creditable military service with an additional ~~nine dollars ninety cents (\$9.90)~~ ten dollars and fifty cents (\$10.50) per month for each additional year of such service; provided, however, that the total pension shall not exceed ~~one hundred ninety-eight dollars (\$198.00)~~ two hundred ten dollars (\$210.00) per month. The requirements for a pension are that each member shall:

- (1) Have served and qualified for at least 20 years' creditable military service, including National Guard, reserve and active duty, under the same requirement specified for entitlement to retired pay for nonregular service under Chapter 67, Title 10, United States Code.
- (2) Have at least 15 years of the aforementioned service as a member of the North Carolina National Guard.
- (3) Have received an honorable discharge from the North Carolina National Guard."

ALLOW RETIREES WHO RETURN TO WORK FOR THE STATE IN NONPERMANENT POSITIONS TO RETAIN THEIR COVERAGE OPTIONS UNDER THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES RATHER THAN LIMITING SUCH RETIREES' COVERAGE OPTIONS TO THE "BRONZE LEVEL" HIGH-DEDUCTIBLE HEALTH PLAN NECESSITATED BY THE AFFORDABLE CARE ACT

SECTION 30.25.(a) G.S. 135-48.40 reads as rewritten:

"§ 135-48.40. Categories of eligibility.

...

(b) Partially Contributory Coverage. – The following persons are eligible for coverage under the Plan, on a partially contributory basis, subject to the provisions of G.S. 135-48.43:

- (1) All permanent full-time employees of an employing unit who meet either of the following conditions:
 - a. Paid from general or special State funds.
 - b. Paid from non-State funds and in a group for which his or her employing unit has agreed to provide coverage.

Employees of State agencies, departments, institutions, boards, and commissions not otherwise covered by the Plan who are employed in permanent job positions on a recurring basis and who work 30 or more hours

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: Proposed Committee Substitute to House Bill 97
(H97-PCS30383-LRxf-11)

SHORT TITLE: 2015 Appropriations Act.

SPONSOR(S): Representatives Dollar, L. Johnson, McGrady, and Lambeth

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS), Consolidated Judicial Retirement System (CJRS), Legislative Retirement System (LRS), Separate Insurance Benefits Plan (SIBP), special separation allowance, and the National Guard Pension Fund (NGPF).

BILL SUMMARY:

Section 30.21: Grants cost-of-living adjustments (COLAs) of two percent (2%), effective July 1, 2015, for retirees in the TSERS, CJRS, and LRS.

Section 30.23: Defines a probation/parole officer for retirement benefit purposes and changes the definition of law-enforcement officer in G.S. 135-1(11c) to include probation/parole officers with respect to service rendered on or after July 1, 2015. Changing the definition of law-enforcement officer has the following impacts in other areas of the General Statutes:

- G.S. 135-5(b19) says "A member who is a law enforcement officer" will be eligible for unreduced retirement at age 55 with 5 years of service as a law-enforcement officer or reduced retirement at age 50 with 15 years of service as a law-enforcement officer. Because G.S. 135-5 is in the same chapter as G.S. 135-1(11c), changing the definition of law-enforcement officer extends those retirement age provisions to probation/parole officers.
- G.S. 143-166.41(a) says that the separation allowance is available to "every sworn law-enforcement officer as defined by G.S. 135-1(11c)...". By changing the definition in G.S. 135-1(11c), this section causes probation/parole officers to start earning service toward the separation allowance. While only service on or after July 1, 2015 counts toward the requirement to have 5 years of law enforcement service immediately prior to retirement, probation/parole officer service prior to July 1, 2015 will count toward the requirement that half of an employee's career be as a law enforcement officer.
- G.S. 143-166.60 says that the SIBP is established for "all law enforcement officers, as defined in G.S. 135-1(11c)..." By changing the definition in G.S. 135-1(11c), the bill makes probation/parole officers eligible for the SIBP.



The bill does not change the definition of law enforcement officer in G.S. 143-166.30(a)(4). That is the definition that applies to the NC 401(k) Plan. Thus, the bill does not extend the law-enforcement 401(k) benefits to probation/parole officers.

Because the bill only changes the definition of law-enforcement officer with respect to service rendered on or after July 1, 2015, most probation/parole officers would have to work for at least five more years to be eligible to retire at a different age or receive the separation allowance.

Section 30.24: Amends G.S. 127A-40 to increase the monthly benefit in the NGPF to \$105 for 20 years of service and \$10.50 for each additional year of service, up to a maximum of \$210. The benefit is currently \$99 for 20 years of service and \$9.90 for each additional year of service, up to a maximum of \$198.

No other sections of the proposed legislation modify retirement benefits or statutes.

EFFECTIVE DATE: All of these sections are effective July 1, 2015

ESTIMATED IMPACT ON STATE:

Section 30.21

Buck Consultants, the actuary for the TSERS, CJRS, and LRS, estimates that the provisions of this bill will have an annual cost in FY 2015-16 and subsequent years as follows:

	<u>TSERS</u>	<u>CJRS</u>	<u>LRS</u>
Percent of Payroll	0.78%	1.28%	1.60%
General Fund	\$ 77,329,200	\$ 908,800	\$ 57,920
Highway Fund	\$ 2,457,000	\$ 0	\$ 0
Receipt Funds	<u>\$ 33,015,224</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Annual Cost	\$ 112,801,424	\$ 908,800	\$ 57,920

Buck Consultants estimates that this Section will increase the unfunded liability of TSERS by roughly \$758 million, a little over 1% of the accrued liability of \$65,806 million. The TSERS liability was 94.8% funded at the end of 2013. The additional unfunded liability is projected to be paid off over 12 years by the increased contributions shown above.

Hartman & Associates, the actuary for the General Assembly, estimates that the provisions of this bill will have an annual cost in FY 2015-16 and subsequent years as follows:

	<u>TSERS</u>	<u>CJRS</u>	<u>LRS</u>
Percent of Payroll	0.76%	1.26%	1.56%
General Fund	\$ 75,346,400	\$ 894,600	\$ 56,472
Highway Fund	\$ 2,394,000	\$ 0	\$ 0
Receipt Funds	<u>\$ 32,168,680</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Annual Cost	\$ 109,909,080	\$ 894,600	\$ 56,472



The figures above assume that no actuarial gains are used to cover the cost of the COLA provisions. TSERS and CJRS have sufficient gains available to cover a portion of the cost of the COLA and the proposed legislation uses those gains for that purpose.

Section 30.23

Buck Consultants, the actuary for the Retirement System, estimates that the change to the TSERS retirement ages will result in an increase in the annual required contribution of 0.02% of payroll, or \$2.0 million from the General Fund. Buck estimates an increase in the SIBP liability of \$0.1 million, which would not eliminate the surplus in the SIBP. Buck also estimated negligible decreases in the contributions and/or liability for the Disability Income Plan and Death Benefit Plan due to the expected change in retirement patterns.

Hartman & Associates, the actuary for the General Assembly, estimates that the change to the TSERS retirement ages will result in an increase in the annual required contribution of 1.39% of the probation/parole officer payroll, or roughly \$1.0 million. Hartman & Associates estimates an increase in the SIBP liability of \$0.2 million, which would not eliminate the surplus in the SIBP.

The actuaries estimated the following cash flow impact due to the additional separation allowances:

<u>Year</u>	<u>Buck Consultants</u>	<u>Hartman & Associates</u>
FY 2015-16	\$0	\$0
FY 2016-17	\$0	\$0
FY 2017-18	\$0	\$0
FY 2018-19	\$0	\$0
FY 2019-20	\$0	\$0

The separation allowances paid after FY 2020-21 would be expected to increase as retiring probation/parole officers become eligible for the benefit. Estimates for the 5 years following the years shown in the table are not available based on the wording in Section 30.23, but based on other estimates the additional annual payouts are expected to be less than \$3 million in each year.

Section 30.24

Buck Consultants, the actuary for the NGPF, and Hartman & Associates, the actuary for the General Assembly, estimate that the provisions of Section 30.24 will increase the normal cost and accrued liability contributions in FY 2015-16 and subsequent years as follows:

	<u>Buck Consultants</u>	<u>Hartman & Associates</u>
Normal Cost	\$ 32,214	\$ 32,000
Accrued Liability Contribution	\$ 1,161,150	\$ 1,161,000
Total Annual Cost	\$ 1,193,364	\$ 1,193,000

The contributions above are paid entirely from the General Fund.



Appropriations

The proposed legislation appropriates funds and sets contribution rates sufficient to cover the increased cost of these three sections and contribute the amount recommended by the actuary to properly fund existing benefits.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2013 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2013 unless otherwise noted, M = millions)				
	<u>TSERS</u>	<u>CJRS</u>	<u>LRS</u>	<u>NGPF</u>
Active Members				
Count	310,370	566	170	5,535
General Fund Compensation	\$9,914M	\$71M	\$4M	
Valuation Compensation (Total)	\$13,608M	\$71M	\$4M	Not applicable
Average Age	45	55	57	38
Average Service	10.6	13.1	5.9	15.9
Inactive Members				
Count	125,513	53	94	5,117
Retired Members				
Count	187,448	584	311	4,354
Annual Benefits	\$3,871M	\$35M	\$2M	\$8M
Average Age	70	72	76	70
New Retirees During 2014	11,500	30	3	150

Financial Statistics (as of 12/31/2013 unless otherwise noted, M = millions)				
	<u>TSERS</u>	<u>CJRS</u>	<u>LRS</u>	<u>NGPF</u>
Accrued Liability (AL)	\$65,806M	\$549M	\$25M	\$140M
Actuarial Value of Assets (AVA)	\$62,364M	\$507M	\$29M	\$103M
Market Value of Assets (MVA)	\$62,789M	\$512M	\$30M	\$104M
Unfunded Accrued Liability (AL - AVA)	\$3,442M	\$43M	(\$5M)	\$37M
Funded Status (AVA / AL)	95%	92%	119%	74%
Annual Required Contribution (ARC) for FY 2015-16 (as % of pay)	8.69%	26.37%	1.80%	\$5.9M
Assumed Rate of Investment Return	7.25%	7.25%	7.25%	7.25%



Salary Increase Assumption (includes 3.50% inflation and productivity)	4.25% - 9.10%	5.00% - 5.95%	7.50%	Not applicable
Cost Method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization	12 year, closed, flat \$	12 year, closed, flat \$	8 year, open, flat \$	12 year, closed, flat \$
Demographic assumptions based on 2005-2009 experience, RP-2000 mortality with age adjustments, and projection of future mortality improvement with scale AA				

Benefit Provisions				
	TSERS	CJRS	LRS	NGPF
Formula	1.82% x Service x 4 Year Avg Pay	3.02% to 4.02% x Service x Final Pay	4.02% x Service x Highest Pay	\$99 to \$198 per month
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	50/24; 65/5	65/5	60/20
Employee contribution (as % of pay)	6%	6%	7%	None

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Teachers' and State Employees' Retirement System of North Carolina, Report on the Seventy-First Actuarial Valuation Prepared as of December 31, 2013", October 2, 2014, which is available on the Department of State Treasurer website.

Buck Consultants, "Consolidated Judicial Retirement System of North Carolina, Report on the Actuarial Valuation Prepared as of December 31, 2013", October 2, 2014, which is available on the Department of State Treasurer website.

Buck Consultants, "Legislative Retirement System of North Carolina, Report on the Actuarial Valuation Prepared as of December 31, 2013", October 6, 2014, which is available on the Department of State Treasurer website.

Hartman & Associates, LLC, "1% COLA for Retirees in the TSERS, LGERS, CJRS, and LRS Systems", March 10, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Buck Consultants, "Probation/Parole Officers Retirement (House Bill 555)", April 10, 2015, original of which is on file in the General Assembly's Fiscal Research Division.



Hartman & Associates, LLC, "House Bill 555: An Act to Enhance the Benefits of Probation/Parole Officers Who Are Members of the TSERS", April 8, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Buck Consultants, "Actuarial Impact of \$6 Benefit Increase for the North Carolina National Guard Pension Fund", May 15, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "Increase Maximum Pension for Retired Members of the North Carolina National Guard", May 15, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

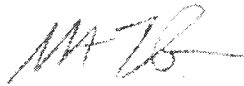
FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide



APPROVED BY:



Mark Trogdon, Director
Fiscal Research Division

DATE: May 19, 2015



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

PENSIONS AND RETIREMENT COMMITTEE REPORT

**Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair**

FAVORABLE AND RE-REFERRED

HB 97 (CS#2)

2015 Appropriations Act.

Draft Number: None

**Serial Referral: RULES, CALENDAR, AND
OPERATIONS OF THE HOUSE**

Recommended Referral: None

Long Title Amended: No

Floor Manager: Dollar

TOTAL REPORTED: 1



* C M R 3 7 2 - V - 1 *



VISITOR REGISTRATION SHEET

Pensions and Retirement

5-20-15

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Susan Vick	Duke Energy
Hayden Bauguess	FSP
Madeline Keeter	Carrollmont Health
Zane St. J. well	NCB&E
Sue Ann Forrest	NCICU
Greg St.	MWC
Sohari	DST
Carol Wark	CST
ANDY WALSH	SA
John Handi	MFS



VISITOR REGISTRATION SHEET

Pensions and Retirement

5-20-15

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

KEVIN LECOUNT	SEANC
Suzanne Beasley	SEANC
David Collins	SEANC
Frank Benson	SEANC
Trent Womble	DHIT
Pam Deardorff	NCRSP
Jul Bon	Bon : 1000
Amanda Hbrare	TSS
Erica Nelson	NCHA



**House Committee on Pensions and Retirement
Tuesday, June 9, 2015 at 10:00 AM
Room 415 of the Legislative Office Building**

MINUTES

The House Committee on Pensions and Retirement met at 10:00 AM on June 9, 2015 in Room 415 of the Legislative Office Building. Representatives L. Bell, Elmore, Gill, Holley, Hurley, Langdon, McNeill, Michaux, Ross, and Waddell attended.

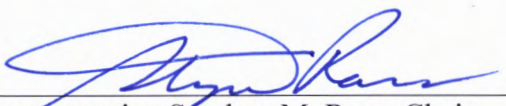
Representative Stephen M. Ross, Chair, presided.

Representative Elmore presented **SB 77 Increase Wilkesboro Firemen's Pension** behalf of Senator Randleman. Representative Bill motioned for a favorable report. The motion passed.

Senators Meredith presented **SB 99 Fire, Rescue, & Safety Worker System Changes**. Representative Waddell motioned for a favorable report. The motion passed.

SB 455 Iran Divestment Act was displaced from the agenda.

With there being no further business, the meeting adjourned at 10:13am.



Representative Stephen M. Ross, Chair
Presiding

Laura Spratley, Committee Clerk



House Committee on Pensions and Retirement

(Name of Committee)

[illegible]



**House Committee on Pensions and Retirement
Tuesday, June 9, 2015, 10:00 AM
415 Legislative Office Building**

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
SB 77	Increase Wilkesboro Firemen's Pension.	Senator Randleman
SB 99	Fire, Rescue, & Safety Worker System Changes.	Senator Meredith Senator Daniel Senator Newton
SB 455	Iran Divestment Act.	Senator Gunn

Presentations

Other Business

Adjournment



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

PENSIONS AND RETIREMENT COMMITTEE REPORT

**Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair**

FAVORABLE

SB	77	(CS#1)	Increase Wilkesboro Firemens Pension.
			Draft Number: None
			Serial Referral: None
			Recommended Referral: None
			Long Title Amended: No
			Floor Manager: Elmore
SB	99	(CS#1)	Fire, Rescue, & Safety Worker System Changes.
			Draft Number: None
			Serial Referral: None
			Recommended Referral: None
			Long Title Amended: No
			Floor Manager: Szoka

TOTAL REPORTED: 2



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SENATE BILL 77: Increase Wilkesboro Firemen's Pension

2015-2016 General Assembly

Committee: House Pensions and Retirement
Introduced by: Sen. Randleman
Analysis of: Second Edition

Date: June 8, 2015
Prepared by: Theresa Matula
Committee Staff

SUMMARY: *Senate Bill 77 amends the laws for the Wilkesboro Firemen's Supplemental Pension Fund to increase the monthly pension so that it will be equal to 150% of the monthly pension amount paid by the NC Firefighter's and Rescue Squad Workers' Pension Fund.*

BILL ANALYSIS:

Senate Bill 77 amends the Session Laws for the Wilkesboro Firemen's Supplemental Pension Fund to allow the monthly pension to be equal to 150% of the monthly pension amount paid by the North Carolina Firefighters' and Rescue Squad Workers' Pension Funder under G.S. 58-86-55.

EFFECTIVE DATE: This bill would become effective July 1, 2015.

BACKGROUND:

The current monthly pension amount for the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund is \$170.

O. Walker Reagan
Director



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GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL 77
Pensions & Retirement and Aging Committee Substitute Adopted 4/23/15

Short Title: Increase Wilkesboro Firemen's Pension.

(Local)

Sponsors:

Referred to:

February 12, 2015

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE MONTHLY PENSION BENEFIT PAID TO MEMBERS OF
THE WILKESBORO FIREMEN'S SUPPLEMENTAL PENSION FUND.

The General Assembly of North Carolina enacts:

SECTION 1. Section 4 of Chapter 131 of the 1985 Session Laws, as amended by
Section 1 of S.L. 1999-56 and Section 1 of S.L. 2010-23, reads as rewritten:

"Sec. 4. Any member who has served 20 years as a fireman in the Wilkesboro Fire
Department and has attained the age of 55 or who has served for five or more years and has
become totally and permanently disabled is entitled to receive a monthly pension from the
"Supplemental Pension Fund". This monthly pension shall be equal to one hundred fifty
percent (150%) of the monthly pension amount paid by the North Carolina ~~Firemen's~~
Firefighters' and Rescue Squad Workers' Pension Fund under G.S. 58-86-55 and shall be
adjusted to ~~match~~continue to equal one hundred fifty percent (150%) of that State pension
amount whenever that amount is amended. If, for any reason, the Fund shall be insufficient to
pay in full any pension benefits, or other charges, then all benefits shall be reduced pro rata for
as long as the deficiency in amount exists. No claim shall accrue with respect to any amount by
which a benefit payment shall have been reduced."

SECTION 2. This act becomes effective July 1, 2015.



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SENATE BILL 99: Fire, Rescue, & Safety Worker System Changes

2015-2016 General Assembly

Committee: House Pensions and Retirement
Introduced by: Sens. Meredith, Daniel, Newton
Analysis of: Third Edition

Date: June 8, 2015
Prepared by: Theresa Matula
Committee Staff

SUMMARY: *Senate Bill 99 makes changes to the statutes for the following systems: Local Firefighters' Relief Funds; Statewide Firefighters' Relief Fund; State Fire Protection Grant Fund; Volunteer Safety Workers Assistance Fund; Rescue Squad Workers' Relief Fund; NC Firefighters' and Rescue Squad Workers' Pension Fund; Law-Enforcement Officers,' Firemen's, Rescue Squad Workers' and Civil Air Patrol Members' Death Benefits Act, and clarifies government control of certain fire departments.*

BILL ANALYSIS: Section 1 amends definitions in G.S. 58-84-5 which apply to the following Articles:

Article 84: Local Firefighters' Relief Funds
Article 85: Statewide Firefighters' Relief Fund
Article 85A: State Fire Protection Grant Fund
Article 87: Volunteer Safety Workers Assistance Fund
Article 88: Rescue Squad Workers' Relief Fund

- The definition of "fire district" is amended to include any federally recognized Native American tribe within the State.
- A definition is added for "firefighter or fireman" to mean a person who meets all of the following requirements:
 - Is a volunteer, employee, contractor, or member of a rated and certified fire department.
 - Performs work or training connected with fire protection, fire prevention, fire control, fire education, fire inspection, fire investigation, rescue, Emergency Medical Services, special operations, or performs the statutory duties and responsibilities of the fire chief as set forth in G.S. 160A-292.
 - Performs work or training at the direction of the fire chief.
 - Is included on the certified roster submitted to the North Carolina State Firemen's Association pursuant to G.S. 58-86-25.

Section 2 amends the powers and duties of the Board of Trustees for the Firefighters' and Rescue Squad Workers' Pension Fund to specify that if any change or error due to the submission of fraudulent or incorrect information result in any member or beneficiary receiving from the Retirement System more or less than he would have been entitled to receive had their records been correct, the Board of Trustees will correct the error, and as far as practicable, will adjust the payment in such a manner that the actuarial equivalent of the benefit to which such member or beneficiary was correctly entitled will be paid.

Sections 3 and 4 amend the Firefighters' and Rescue Squad Workers' Pension Fund pertaining to the certification of firefighters and rescue squad workers to provide that each eligible fire department and rescue or emergency medical services squad must:

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Senate Bill 99

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- Annually report a certified roster of the names of those individuals meeting eligibility qualifications.
- Submit the list to the NC State Firemen's Association or NC Association of Rescue and Emergency Medical Service, Inc. Submission constitutes a certification of its accuracy under accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation.

Sections 5, 6, and 7 amend the Rescue Squad Worker's Relief Fund as follows:

- Adds "legal guardian or legal guardians" to the requirement that the parent or parents must maintain active membership in the rescue or EMS service for the continuation of educational benefits.
- Amends membership eligibility to specify that the required 36 hours must be training only and not training and meetings.
- Increases the amount of time from 30 days to 180 days that the chief or chief officer of the local department has to notify the Secretary-Treasurer that the person applying for benefits is a member of the fund and request that the necessary forms be submitted for benefits.

Sections 8 and 9 amend the Law-Enforcement Officers', Firemen's, Rescue Squad Workers' and Civil Air Patrol Members' Death Benefits Act as follows:

- Changes "fireman" to "firefighter"
- Removes the requirement that surviving spouses prove that they have not re-married every year for four years after the death is certified by the Industrial Commission in order to remain eligible to receive a benefit derived from a deceased's service.
- Makes the full \$50,000 benefit payable after certification of the death instead of spreading the payments over four years.

Section 10 requires 16 nonprofit fire departments that commenced participation in the Local Governmental Employees Retirement System between 1977 and 1992 to have a charter provision allowing the local government unit with which they have their largest service contract to remove 50% plus one member of the fire department's governing board. This change is needed to support the contention that the fire departments who entered during this time period meet an IRS test for government control in order to participate in a governmental defined benefit pension

EFFECTIVE DATE: This bill would become effective July 1, 2015.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL 99
Pensions & Retirement and Aging Committee Substitute Adopted 4/23/15
Third Edition Engrossed 4/27/15

Short Title: Fire, Rescue, & Safety Worker System Changes.

(Public)

Sponsors:

Referred to:

February 23, 2015

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A DEFINITION OF FIREFIGHTER FOR PURPOSES OF THE LOCAL FIREFIGHTERS' RELIEF FUND, THE STATEWIDE FIREFIGHTERS' RELIEF FUND, THE STATE FIRE PROTECTION GRANT FUND, VOLUNTEER SAFETY WORKERS ASSISTANCE, AND THE RESCUE SQUAD WORKERS' RELIEF FUND; TO AMEND THE PROCESS FOR FILING CERTIFIED ROSTERS WITH THE NORTH CAROLINA STATE FIREMEN'S ASSOCIATION AND THE NORTH CAROLINA ASSOCIATION OF RESCUE AND EMERGENCY MEDICAL SERVICES, INC.; TO AMEND THE RESCUE SQUAD WORKERS' RELIEF FUND; TO AMEND THE LAW-ENFORCEMENT OFFICERS', FIREMEN'S, RESCUE SQUAD WORKERS' AND CIVIL AIR PATROL MEMBERS' DEATH BENEFITS ACT; AND TO SPECIFY LOCAL GOVERNMENT AUTHORITY AS IT PERTAINS TO A FIRE DEPARTMENT BOARD AND PARTICIPATION IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-84-5 reads as rewritten:

"§ 58-84-5. Definitions.

The following definitions apply in Articles ~~84 through 88~~ 84, 85, 85A, 87, and 88 of this Chapter:

- (1) City. – A fire district.
- (2) Clerk. – The clerk of a fire district or, if there is no clerk, the person so designated by the governing body of the fire district.
- (3) Fire district. – Any political subdivision of the State or federally recognized Native American tribe within the State that meets all of the following conditions:
 - a. It has an organized fire department under the control of its governing body.
 - b. Its fire department has apparatus and equipment that is in serviceable condition for fire duty and is valued at one thousand dollars (\$1,000) or more.
 - c. It is rated and certified by the Commissioner.
 - d. Its response area has been approved by the local municipal government or, if there is no local municipal government, by the local board of county commissioners.



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(3a) Firefighter or Fireman. – Any person who meets all of the following requirements:

- a. Is a volunteer, employee, contractor, or member of a rated and certified fire department.
- b. Performs work or training connected with fire protection, fire prevention, fire control, fire education, fire inspection, fire investigation, rescue, Emergency Medical Services, special operations, or performs the statutory duties and responsibilities of the fire chief as set forth in G.S. 160A-292.
- c. Performs work or training at the direction of the fire chief.
- d. Is included on the certified roster submitted to the North Carolina State Firemen's Association pursuant to G.S. 58-86-25.

(4) Town. – A fire district."

SECTION 2. G.S. 58-86-10 reads as rewritten:

"§ 58-86-10. Powers and duties of the board.

The Board of Trustees of the North Carolina Local Governmental Employees' Retirement System shall administer the Pension Fund. The board shall request appropriations out of the general fund for administrative expenses and to provide for the financing of this pension fund, employ necessary clerical assistance, determine all applications for pensions, provide for the payment of pensions, make all necessary rules and regulations not inconsistent with law for the governance of this fund, prescribe rules and regulations of eligibility of persons to receive pensions, expend funds in accordance with the provisions of this Article, and generally exercise all other powers necessary for the administration of the fund created by this Article. Should any change or error due to the submission of fraudulent or incorrect information result in any member or beneficiary receiving from the Retirement System more or less than he or she would have been entitled to receive had their records been correct, the Board of Trustees shall correct such error, and as far as practicable, shall adjust the payment in such a manner that the actuarial equivalent of the benefit to which such member or beneficiary was correctly entitled shall be paid."

SECTION 3. G.S. 58-86-25 reads as rewritten:

"§ 58-86-25. Determination and certification of eligible firefighters.

~~Eligible~~ For purposes of this Article, eligible firefighters must attend 36 hours of training sessions in each calendar year. Each eligible fire department shall annually determine and report a certified roster of the names of those firefighters meeting the eligibility qualifications of this Article to its respective governing body, which upon determination of the validity and accuracy of the ~~qualification~~ qualification, the department shall promptly certify ~~submit~~ the list to the North Carolina State Firemen's Association. Submission of such information by a department to the North Carolina State Firemen's Association constitutes a certification of its accuracy under accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation. The Firemen's Association shall provide a list of those persons meeting the eligibility requirements of this Article to the State Treasurer by January 31 of each year. For the purposes of the preceding ~~sentence, sentences,~~ the governing body of a fire department operated: by a county is the county board of commissioners; by a city is the city council; by a sanitary district is the sanitary district board; by a corporation, whether profit or nonprofit, is the corporation's board of directors; and by any other entity is that group designated by the board. An "eligible firefighter" may not also qualify as an "eligible rescue squad worker" in order to receive double benefits available under this Article."

SECTION 4. G.S. 58-86-30 reads as rewritten:

"§ 58-86-30. Determination and certification of "eligible rescue squad worker."

Eligible rescue squad workers must attend at least 36 hours of training sessions in each calendar year. Each rescue or emergency medical services squad eligible for membership in the

1 North Carolina Association of Rescue and Emergency Medical Services, Inc., must file a roster
2 certified by the secretary of the association of those rescue or emergency medical services
3 squad workers meeting the requirements of this section with the State Treasurer by January 31
4 of each calendar year. Submission of such information by a department to the North Carolina
5 Association of Rescue and Emergency Medical Services, Inc., constitutes a certification of its
6 accuracy under accounting standards set forth by the Governmental Accounting Standards
7 Board of the Financial Accounting Foundation.

8 An "eligible rescue squad worker" may not qualify also as an "eligible firefighter" in order
9 to receive double benefits available under this Article."

10 **SECTION 5.** G.S. 58-88-5 reads as rewritten:

11 **"§ 58-88-5. Rescue Squad Workers' Relief Fund; trustees; disbursement of funds.**

12 (a) The "Rescue Squad Workers' Relief Fund" is created. It consists of the revenue
13 credited to the Fund under G.S. 20-183.7(c) and shall be used for the purposes set forth in this
14 Article.

15 (b) The Executive Committee of the Association shall be the Board of Trustees of the
16 Fund. The Board shall consist of the Commander, Vice-Commander, Secretary-Treasurer, and
17 two past Commanders of the Association. The Commander shall be the Chairman of the Board.
18 The Commander, Vice-Commander, and Secretary-Treasurer shall appoint the two past
19 Commanders of the Association, who shall serve at the pleasure of the appointing officers.

20 (c) The Commissioner of Insurance has exclusive control of the Fund and shall disburse
21 revenue in the Fund to the Association only for the following purposes:

- 22 (1) To safeguard any rescue or EMS worker in active service from financial
23 loss, occasioned by sickness contracted or injury received while in the
24 performance of his or her duties as a rescue or EMS worker.
- 25 (2) To provide a reasonable support for those persons actually dependent upon
26 the services of any rescue or EMS worker who may lose his or her life in the
27 service of his or her town, county, city, or the State, either by accident or
28 from disease contracted or injury received by reason of such service. The
29 amount is to be determined according to the earning capacity of the
30 deceased.
- 31 (3) To award scholarships to children of members, deceased members or retired
32 members in good standing, for the purpose of attending a two year or four
33 year college or university, and for the purpose of attending a two year course
34 of study at a community college or an accredited trade or technical school,
35 any of which is located in the State of North Carolina. Continuation of the
36 payment of educational benefits for children of active members shall be
37 conditioned on the continuance of active membership in the rescue or EMS
38 service by the ~~parent or parents~~parent, parents, legal guardian, or legal
39 guardians.
- 40 (4) To pay death benefits to those persons who were actually dependent upon
41 any member killed in the line of duty.
- 42 (4a) To pay additional benefits approved by the Board of Trustees of the Fund to
43 rescue and EMS workers who are eligible pursuant to G.S. 58-88-10 and
44 who are members of the Association.
- 45 (5) Notwithstanding any other provision of law, no expenditures shall be made
46 pursuant to subdivisions (1), (2), (3), (4), and (4a) of this subsection unless
47 the Board has certified that the expenditures will not render the Fund
48 financially unsound for the purpose of providing the benefits set forth in
49 subdivisions (1), (2), (3), (4), and (4a). If, for any reason, funds made
50 available for subdivisions (1), (2), (3), (4), and (4a) are insufficient to pay in
51 full any benefit, the benefits pursuant to subdivisions (1), (2), (3), (4), and

(4a) shall be reduced pro rata for as long as the amount of insufficient funds exists. No claims shall accrue with respect to any amount by which a benefit under subdivisions (1), (2), (3), (4), and (4a) has been reduced."

SECTION 6. G.S. 58-88-10 reads as rewritten:

"§ 58-88-10. Membership eligibility.

(a) Any member of a rescue squad or EMS service who is eligible for membership in the Association and who has attended a minimum of 36 hours of training ~~and meetings~~ in the last calendar year; and each rescue squad or EMS service whose members are eligible for membership in the Association who has filed a roster certifying to the Secretary-Treasurer who certifies to the Commissioner of Insurance by January 1 of each calendar year that all eligible members have met the requirements, shall be eligible for the Fund. Any eligible member who, in the actual discharge of his or her duties as rescue or EMS personnel, is (1) made sick by disease contracted or (2) becomes disabled, shall be entitled to the benefits from the Fund.

(b) Any organized rescue squad or EMS service in North Carolina holding itself ready for duty may, upon compliance with the requirements of the constitution and by-laws of the Association, be eligible for membership in the Fund.

(c) The line of duty entitling one to participate in the Fund shall be so construed as to mean actual rescue or EMS duty only."

SECTION 7. G.S. 58-88-25 reads as rewritten:

"§ 58-88-25. Application for benefits.

Applications for benefits from the Fund shall be made to the Secretary-Treasurer under the following conditions and procedure: Within ~~30-180~~ days after the contracting of a disease or the occurrence of accident for which benefits are sought, the chief or chief officer of the local department shall notify the Secretary-Treasurer in writing that the person applying for benefits is a member of the Fund and request the necessary forms from the Secretary-Treasurer's office to be submitted for the benefits."

SECTION 8. G.S. 143-166.2 reads as rewritten:

"§ 143-166.2. Definitions.

(a) The term "dependent child" shall mean any unmarried child of the deceased officer, ~~fireman, firefighter,~~ rescue squad worker or senior member of the Civil Air Patrol whether natural, adopted, posthumously born or whether a child born out of wedlock as entitled to inherit under the Intestate Succession Act, who is under 18 years of age and dependent upon and receiving his chief support from said officer or ~~fireman, firefighter~~ or rescue squad worker or senior member of the Civil Air Patrol at the time of his death; provided, however, that if a dependent child is entitled to receive benefits at the time of the officer's or ~~fireman's~~ ~~firefighter's~~ or rescue squad worker's or senior Civil Air Patrol member's death as hereinafter provided, he shall continue to be eligible to receive such benefits regardless of his age thereafter; and further provided that any child over 18 years of age who is physically or mentally incapable of earning a living and any child over 18 years of age who was enrolled as a full-time student at the time of the officer's, the ~~fireman's, firefighter's,~~ the rescue squad worker's or the senior Civil Air Patrol member's death shall so long as he remains a full-time student as defined in the Social Security Act be regarded as a dependent child and eligible to receive benefits under the provisions of this Article.

(b) The term "dependent parent" shall mean the parent of the deceased officer, ~~fireman, firefighter,~~ rescue squad worker or senior member of the Civil Air Patrol, whether natural or adoptive, who was dependent upon and receiving his total and entire support from the officer, ~~fireman, firefighter,~~ rescue squad worker or senior member of the Civil Air Patrol at the time of the injury which resulted in his death.

(c) The term "killed in the line of duty" shall apply to any law-enforcement officer, ~~fireman, firefighter,~~ rescue squad worker who is killed or dies as a result of bodily injuries sustained or of extreme exercise or extreme activity experienced in the course and scope of his

1 official duties while in the discharge of his official duty or duties. When applied to a senior
2 member of the Civil Air Patrol as defined in this Article, "killed in the line of duty" shall mean
3 any such senior member of the North Carolina Wing-Civil Air Patrol who is killed or dies as a
4 result of bodily injuries sustained or of extreme exercise or extreme activity experienced in the
5 course and scope of his official duties while engaged in a State requested and approved mission
6 pursuant to Article 13 of Chapter 143B of the General Statutes. For purposes of this Article,
7 when a law enforcement officer, ~~fireman~~, firefighter, rescue squad worker, or senior Civil Air
8 Patrol member dies as the direct and proximate result of a myocardial infarction suffered while
9 on duty or within 24 hours after participating in a training exercise or responding to an
10 emergency situation, the law enforcement officer, ~~fireman~~, firefighter, rescue squad worker, or
11 senior Civil Air Patrol member is presumed to have been killed in the line of duty.

12 (d) The term "law-enforcement officer", "officer", or "~~fireman~~" "firefighter" shall mean
13 a sheriff and all law-enforcement officers employed full-time, permanent part-time, or
14 temporarily by a sheriff, the State of North Carolina or any county or municipality thereof,
15 whether paid or unpaid; and all full-time custodial employees and probation and parole officers
16 of the Division of Adult Correction of the Department of Public Safety; and all full time
17 institutional and full-time, permanent part-time, and temporary detention employees of the
18 Division of Juvenile Justice of the Department of Public Safety and full-time, permanent
19 part-time, and temporary detention officers employed by any sheriff, county or municipality,
20 whether paid or unpaid. The term "firemen" shall mean both firefighter or firemen as defined in
21 G.S. 58-84-5(3a), or "eligible firemen" as defined in Article 86 of Chapter 58 of the General
22 Statutes, notwithstanding any age requirements set out in that Article, and all full-time,
23 permanent part-time and temporary employees of the North Carolina Forest Service of the
24 Department of Agriculture and Consumer Services during the time they are actively engaged in
25 firefighting activities; or engaged in emergency response activities pursuant to
26 G.S. 166A-19.77; and shall mean all full-time employees of the North Carolina Department of
27 Insurance during the time they are actively engaged in firefighting activities, during the time
28 they are training firefighters or rescue squad workers, and during the time they are engaged in
29 activities as members of the State Emergency Response Team, when the Team has been
30 activated; and shall mean all otherwise eligible persons who, while actively engaged as
31 firefighters or rescue squad workers, are acting in the capacity of a fire or rescue instructor
32 outside their own department or squad. The term "rescue squad worker" shall mean a person
33 who is dedicated to the purpose of alleviating human suffering and assisting anyone who is in
34 difficulty or who is injured or becomes suddenly ill by providing the proper and efficient care
35 or emergency medical services. In addition, this person must belong to an organized rescue
36 squad which is eligible for membership in the North Carolina Association of Rescue and
37 Emergency Medical Services, Inc., and the person must have attended a minimum of 36 hours
38 of training in the last calendar year. Each rescue squad belonging to the North Carolina
39 Association of Rescue and Emergency Medical Services, Inc., must file a roster of those
40 members meeting the above requirements with the State Treasurer on or about January 31 of
41 each year, and this roster must be certified to by the secretary of said association. In addition,
42 the term "rescue squad worker" shall mean a member of an ambulance service certified by the
43 Department of Health and Human Services pursuant to Article 7 of Chapter 131E of the
44 General Statutes. The Department of Health and Human Services shall furnish a list of
45 ambulance service members to the State Treasurer on or about January 31 of each year. The
46 term "Civil Air Patrol members" shall mean those senior members of the North Carolina
47 Wing-Civil Air Patrol 18 years of age or older and currently certified pursuant to
48 G.S. 143B-1031. The term "~~fireman~~" "firefighter" shall also mean county fire marshals when
49 engaged in the performance of their county duties. The term "rescue squad worker" shall also
50 mean county emergency services coordinators when engaged in the performance of their
51 county duties.

(e) The term "spouse" shall mean the wife or husband of the deceased officer, ~~fireman,~~ firefighter, rescue squad worker or senior Civil Air Patrol member who survives him and who was residing with such officer, ~~fireman,~~ firefighter, rescue squad worker, or senior Civil Air Patrol member at the time of and during the six months next preceding the date of injury to such officer, ~~fireman,~~ firefighter, rescue squad worker or senior Civil Air Patrol member which resulted in his or her death and who also resided with such officer, ~~fireman,~~ firefighter, rescue squad worker or senior Civil Air Patrol member from that date of injury up to and at the time of his or her death and ~~who remains unmarried during the time benefits are forthcoming;~~ provided, however, the part of this section requiring the spouse to have been residing with the deceased officer, ~~fireman,~~ firefighter, rescue squad worker or senior Civil Air Patrol member for six months next preceding the date of the injury which resulted in his death shall not apply where marriage occurred during this six-month period or where the officer, ~~fireman,~~ firefighter, rescue squad worker or senior Civil Air Patrol member was absent during this six-month period due to service in the Armed Forces of the United States.

(f) The term "official duties" means those duties performed while en route to, engaged in, or returning from training, or in the course of responding to, engaged in or returning from a call by the department of which he is a member, or from a call for assistance from any department or such organization within the State of North Carolina or within a service area contiguous to the borders of the State of North Carolina, when served or aided by a department from within the State of North Carolina. While within the State of North Carolina, any eligible person, as defined in this section or in G.S. 58-86-25, who renders service or assistance, of his own volition, at the scene of an emergency, is performing his official duties when:

- (1) Reasonably apparent circumstances require prompt decisions and actions to protect persons and property; and
- (2) The necessity of immediate action is so reasonably apparent that any delay in acting would seriously worsen the property damage or endanger any person's life."

SECTION 9. G.S. 143-166.3(b) reads as rewritten:

"(b) Payment shall be made to the person or persons qualifying therefor under subsection (a) in the following amounts:

- (1) At the time of the death of an officer, ~~fireman,~~ firefighter, rescue squad worker or senior Civil Air Patrol member, ~~twenty thousand dollars (\$20,000)~~ fifty thousand dollars (\$50,000) shall be paid to the person or persons entitled thereto.
- (2) ~~Thereafter, ten thousand dollars (\$10,000) shall be paid annually to the person or persons entitled thereto until the sum of the initial payment and each annual payment reaches fifty thousand dollars (\$50,000).~~
- (3) In the event there is no person qualifying under subsection (a) of this section, fifty thousand dollars (\$50,000) shall be paid to the estate of the deceased officer, ~~fireman,~~ firefighter, rescue squad worker or senior Civil Air Patrol member at the time of death.

(c) ~~In the event that any person or persons eligible for payments under subsection (a) of this section shall become ineligible, and other eligible person or persons qualify for said death benefit payments under subsection (a), then they shall receive the remainder of any payments up to the limit of fifty thousand dollars (\$50,000) in the manner set forth in subsection (b) of this section.~~

(d) ~~In the event any person or persons eligible for payments under subsection (a) of this section shall become ineligible and no other person or persons qualify for payments under that subsection and where the sum of the initial payment of twenty thousand dollars (\$20,000) and each subsequent annual payment of ten thousand dollars (\$10,000) does not total fifty thousand dollars (\$50,000), then the difference between the total of the payments made and fifty~~

1 ~~thousand dollars (\$50,000) shall immediately be payable to the estate of the deceased officer,~~
2 ~~fireman, rescue squad worker, or senior Civil Air Patrol member."~~

3 **SECTION 10.(a)** In order to participate in the Local Governmental Employees'
4 Retirement System after October 1, 2015, the charter or articles of incorporation of fire
5 departments must include a provision that provides that the governing body of the local
6 government entity that holds the contract with the highest dollar value to the fire department for
7 provision of fire services shall have the authority to remove from office up to fifty percent
8 (50%) plus one member of the Board of Trustees or Board of Directors of the fire department.
9 Before exercising this authority, the local government entity shall notify the affected fire
10 department and give the fire department the opportunity to be heard in a public meeting. When
11 any fire department board member is removed, the resulting vacancy shall be filled pursuant to
12 the bylaws of the fire department.

13 **SECTION 10.(b)** This section only applies to fire departments that commenced
14 participation in the Local Governmental Employees' Retirement System between 1977 and
15 1992 pursuant to Chapter 316 of the Session Laws of 1977 and have contracts to provide fire
16 protection to a city, county, or instrumentality of the State.

17 **SECTION 11.** This act becomes effective July 1, 2015.



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: Senate Bill 99 (Third Edition)

SHORT TITLE: Fire, Rescue, & Safety Worker System Changes.

SPONSOR(S):

FUNDS AFFECTED: State General Fund; local government funds for LGERS

SYSTEM OR PROGRAM AFFECTED: Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), Local Governmental Employees' Retirement System (LGERS), and line-of-duty death benefits under Article 12A of Chapter 143.

BILL SUMMARY:

Senate Bill 99 (Third Edition) modifies statutes governing the programs above as well as the Local Firefighters' Relief Fund, Statewide Firefighters' Relief Fund, State Fire Protection Grant Fund, Volunteer Safety Workers Assistance, and the Rescue Squad Workers' Relief Fund. The impact on these other programs is outside the scope of this note. The following summarizes the sections of the bill that are within the scope of this note:

Section 2: Amends G.S. 58-86-10 to allow the Board of Trustees overseeing the FRSWPF to correct any benefit payment being received by a member or beneficiary that was being incorrectly paid due to the submission of fraudulent or incorrect information. The correction will, as far as practicable, adjust the benefit payment in such a manner that the actuarial equivalent of the benefit to which the member or beneficiary was correctly entitled shall be paid.

Sections 3 and 4: Require each eligible fire department and rescue or emergency medical services squad to annually report a certified roster of all members meeting the eligibility qualifications of the FRSWPF, and specify that such submission constitutes a certification of its accuracy under applicable accounting standards.

Section 8: Applies new definitions of the terms "firefighter" or "fireman" as they apply to the line-of-duty death benefits. The definition of firefighter in the bill includes anyone who meets all of the following requirements:

- a. Is a volunteer, employee, contractor, or member of a rated and certified fire department.
- b. Performs work or training connected with fire protection, fire prevention, fire control, fire education, fire inspection, fire investigation, rescue, Emergency Medical Services, special operations, or performs the statutory duties and responsibilities of the fire chief as set forth in G.S. 160A-292.
- c. Performs work or training at the direction of the fire chief.
- d. Is included on the certified roster submitted to the North Carolina State Firemen's Association pursuant to G.S. 58-86-25.

It is unclear how this definition differs from the unwritten definition currently being applied in administering the affected statutes, but the list of roles in b. above may be broader than is implied in usage of the term “firefighter” by the general public.

Section 9: Provides that the line-of-duty death benefit will be paid in a \$50,000 lump sum in all circumstances. Currently, the benefit is paid \$20,000 in the first year, and \$10,000 in each of the next three years to surviving spouses and dependents.

Section 10: Requires certain non-profit fire departments participating in LGERS to include a provision in their charter allowing the local government with which they have the largest contract to remove a majority of the members of the Board of Trustees or Directors of the fire department.

EFFECTIVE DATE: July 1, 2015

ESTIMATED IMPACT ON STATE:

Buck Consultants, the actuary for the Retirement System, estimates that this bill does not increase the liabilities or contributions of LGERS or FRSWPF, although they note that they are unable to quantify certain impacts within the actuarial framework. Buck Consultants did not comment on the impact on the line-of-duty death benefits.

Hartman & Associates, the actuary for the General Assembly, estimates that the bill will not have a material financial impact on any of the systems or programs that are within the scope of this note.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2013 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2013 unless otherwise noted, M = millions)	
	<u>FRSWPF</u>
Active Members	
Count	42,464
Valuation Compensation (Total)	Not applicable
Average Age	40
Average Service	11.5
Inactive Members	
Count	156
Retired Members	
Count	12,445
Annual Benefits	\$25M
Average Age	68
New Retirees During 2014	840

Financial Statistics (as of 12/31/2013 unless otherwise noted, M = millions)	
	<u>FRSWPF</u>
Accrued Liability (AL)	\$413M
Actuarial Value of Assets (AVA)	\$365M
Market Value of Assets (MVA)	\$371M
Unfunded Accrued Liability (AL - AVA)	\$48M
Funded Status (AVA / AL)	88%
Annual Required Contribution (ARC) for FY 2015-16	\$13.2M
Assumed Rate of Investment Return	7.25%
Salary Increase Assumption	Not applicable
Cost Method	Entry Age Normal
Amortization	12 year, closed, flat \$
Demographic assumptions based on 2005-2009 experience, RP-2000 mortality with age adjustments, and projection of future mortality improvement with scale AA	

Benefit Provisions	
	<u>FRSWPF</u>
Formula	\$170 per month
Unreduced retirement age/service	55/20
Employee contribution (as % of pay)	\$10 per month

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Fire, Rescue, and Safety Workers System Changes (Senate Bill 99)", May 6, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "Senate Bill 99 – Pensions & Retirement and Aging Committee Substitute: Fire, Rescue, & Safety Worker System Changes", April 29, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide

APPROVED BY:
Mark Trogon, Director

Fiscal Research Division

DATE: May 11, 2015

Signed Copy Located in the NCGA Principal Clerk's Offices



SENATE BILL 455: Iran Divestment Act

2015-2016 General Assembly

Committee: House Pensions and Retirement
Introduced by: Sen. Gunn
Analysis of: Second Edition

Date: June 8, 2015
Prepared by: Karen Cochrane-Brown
Committee Counsel

SUMMARY: *Senate Bill 455 would prohibit certain investments and contracts with persons determined to be engaging in investment activities in Iran. The Department of State Treasurer is directed to adopt a policy on divestment consistent with its current policy.*

CURRENT LAW: The federal Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 expressly authorizes states and local governments to prevent investment in companies operating in Iran's energy sector with investments that have the result of supporting the efforts of the government of Iran to achieve nuclear weapons capability. The North Carolina Department of the State Treasurer currently has an Iran Divestment Policy consistent with this act.

BILL ANALYSIS:

Section 1 of Senate Bill 455 would create a new article under Chapter 143C of the General Statutes entitled the Iran Divestment Act of 2015. The section states the intent of the General Assembly to implement the authority granted under Section 202 of the federal Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 by prohibiting certain investments and contracts with persons engaged in investment activities in the energy sector of Iran on a statewide basis.

The bill directs the State Treasurer to adopt a policy to identify persons engaged in investment activities in Iran, to prohibit investment of State funds with those persons, and prohibits persons on the list from contracting with the State.

List of persons: The State Treasurer would be required to create a list of persons engaging in investment activities in the energy sector of Iran. Investment activities in the energy sector of Iran are defined as activities to develop petroleum, natural gas resources, or nuclear power by: a person providing goods or services of 20 million dollars to the energy sector of Iran; or a person that extends 20 million dollars or more in credit that will be used to provide goods or services in the energy sector of Iran.

The State Treasurer would create the list within 120 days of adoption of the policy and update it every 180 days. The State Treasurer would provide 90 days' written notice to inform any person of the intent of the State Treasurer to include that person on the list and provide that person with the opportunity to deny in writing its engagement in investment activities in the energy sector of Iran.

Prohibited Investments: The bill would prohibit the North Carolina Retirement System or the Department of the State Treasurer from investing funds with a person identified on the list created by the State Treasurer. It would also require that any existing investment with a person on the list be divested within 180 days of the adoption of the policy.

The bill clarifies that nothing in the divestment policy will require the North Carolina Retirement System or the State Treasurer to take action unless the State Treasurer determines in good faith that the action is consistent with the fiduciary duties of those agencies.

O. Walker Reagan
Director



Research Division
(919) 733-2578

Senate Bill 455

Page 2

An investment may be made in a person identified on the list on a case by case basis if:

- The investment activities in Iran were made before the effective date of this act. The person must demonstrate that it has not expanded or renewed the investment activities and it has adopted a formal plan to cease the investment and to refrain from engaging in new investments in Iran; or
- The State Treasurer makes a good faith determination that the investments are necessary to perform its functions.

Prohibited Contracts: The bill would make any person on the list created by the State Treasurer ineligible to contract with the State. It would require a person that contracts with the State to certify that the person is not identified on the list created by the State Treasurer. The State agency would be required to maintain a record of the certification.

The prohibition would not apply to contracts valued at \$1,000 or less. The State may contract with a person identified by the list on a case by case basis if:

- The investment activities in Iran were made before the effective date of this act. The person must demonstrate that it has not expanded or renewed the investment activities and it has adopted a formal plan to cease the investment and to refrain from engaging in new investments in Iran; or
- The State agency makes a good faith determination that the commodities or services provided by the contract are necessary to perform its functions and the agency would otherwise be unable to obtain the commodities or services.

Reporting and Application: The State Treasurer would report to Joint Legislative Commission on Governmental Operations and the Governor annually on the status of the federal law and the implementation of the act.

The restrictions in this act would apply only until: (1) the President or Congress declares that divestment of this type interferes with the conduct of United States foreign policy; or (2) Congress revokes authority to divest in the manner provided for in the act.

Section 2 would clarify that nothing in this act is intended to create a fiduciary relationship between the State Treasurer and anyone who uses the list or any fiduciary duty on the part of the State Treasurer where one does not otherwise exist by law.

Section 3 would require the State Treasurer to report a description of this act to the Attorney General of the United States within 30 days, as required by federal law.

EFFECTIVE DATE: This act becomes effective October 1, 2015.

BACKGROUND: Other states with Iran divestment or contracting prohibition legislation include: Alaska, Arizona, California, Connecticut, Florida, Georgia, Illinois, Indiana, Iowa, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, and Utah.

The North Carolina Department of State Treasurer's Policy on Iran Divestment can be found here: <https://www.nctreasurer.com/inv/Policies/Iran%20Divestment%20Policy%20-%20enacted%202012-07-19.pdf>.

Layla Cummings, counsel to Senate Commerce, substantially contributed to this summary.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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2

SENATE BILL 455
Commerce Committee Substitute Adopted 4/15/15

Short Title: Iran Divestment Act.

(Public)

Sponsors:

Referred to:

March 26, 2015

A BILL TO BE ENTITLED
AN ACT TO ENACT THE IRAN DIVESTMENT ACT.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 143C of the General Statutes is amended by adding a new Article to read:

"Article 6A.

"Iran Divestment Act.

"§ 143C-6A-1. Article title.

This Article may be cited as the "Iran Divestment Act of 2015."

"§ 143C-6A-2. Findings.

The General Assembly finds that:

- (1) Congress and the President have determined that the illicit nuclear activities of the Government of Iran, combined with its development of unconventional weapons and ballistic missiles and its support of international terrorism, represent a serious threat to the security of the United States, Israel, and other United States allies in Europe, the Middle East, and around the world.
- (2) The International Atomic Energy Agency has repeatedly called attention to Iran's unlawful nuclear activities, and, as a result, the United Nations Security Council has adopted a range of sanctions designed to encourage the Government of Iran to cease those activities and comply with its obligations under the Treaty on the Non-Proliferation of Nuclear Weapons.
- (3) On July 1, 2010, President Barack Obama signed into law H.R. 2194, the "Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010" (Public Law 111-195), which expressly authorizes states and local governments to prevent investment in, including prohibiting entry into or renewing contracts with, companies operating in Iran's energy sector with investments that have the result of directly or indirectly supporting the efforts of the Government of Iran to achieve nuclear weapons capability.
- (4) The serious and urgent nature of the threat from Iran demands that states, local governments, and private institutions work together with the federal government and American allies to do everything possible diplomatically, politically, and economically to prevent Iran from acquiring nuclear weapons capability.



- (5) Respect for human rights in Iran has steadily deteriorated as demonstrated by transparently fraudulent elections and the brutal repression and murder, arbitrary arrests, and show trials of peaceful dissidents.
- (6) The concerns of the State regarding Iran are strictly the result of the actions of the Government of Iran and should not be construed as enmity towards the Iranian people.
- (7) In order to effectively address the need for this State to respond to the policies of Iran in a uniform fashion, prohibiting contracts with persons engaged in investment activities in the energy sector of Iran must be accomplished on a statewide basis.
- (8) It is the intent of the General Assembly to fully implement the authority granted under Section 202 of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (Public Law 111-195).

"§ 143C-6A-3. Definitions.

As used in this Article:

- (1) "Energy sector of Iran" means activities to develop petroleum or natural gas resources or nuclear power in Iran.
- (2) "Financial institution" means the term as used in Section 14 of the Iran Sanctions Act of 1996 (Public Law 104-172; 50 U.S.C. 1701 § note).
- (3) "Investment" means a commitment or contribution of funds or property, whatever the source, a loan or other extension of credit, and the entry into or renewal of a contract for goods or services. It does not include indirect beneficial ownership through index funds, commingled funds, limited partnerships, derivative instruments, or the like.
- (4) "Investment activities in Iran" means a person engages in investment activities in Iran if:
- a. The person provides goods or services of twenty million dollars (\$20,000,000) or more in the energy sector of Iran, including a person that provides oil or liquefied natural gas tankers, or products used to construct or maintain pipelines used to transport oil or liquefied natural gas, for the energy sector of Iran; or
- b. The person is a financial institution that extends twenty million dollars (\$20,000,000) or more in credit to another person, for 45 days or more, if that person will use the credit to provide goods or services in the energy sector in Iran and is identified on a list, created pursuant to G.S. 143C-6A-6, as a person engaging in investment activities in Iran as described in this section.
- (5) "Iran" includes the Government of Iran and any agency or instrumentality of Iran.
- (6) "Person" means any of the following:
- a. A natural person, corporation, company, limited liability company, business association, partnership, society, trust, or any other nongovernmental entity, organization, or group.
- b. Any governmental entity or instrumentality of a government, including a multilateral development institution, as defined in section 1701(c)(3) of the International Financial Institutions Act (22 U.S.C. § 262r(c)(3)).
- c. Any successor, subunit, parent entity, or subsidiary of, or any entity under common ownership or control with any entity described in sub-subdivisions (a) and (b) of this subdivision.

- 1 (7) "State agency" means any board, commission, department, executive
2 department, officer, institution, and any political subdivision of the State.

3 **"§ 143C-6A-4. Prohibitions on State investment.**

4 No more than 30 days after the effective date of this act, the State Treasurer shall adopt a
5 policy prohibiting the North Carolina Retirement Systems or the Department of the State
6 Treasurer from investing funds with a person engaging in investment activities in Iran. At a
7 minimum the policy shall provide:

- 8 (1) List of persons engaged in investment. – Within 120 days of adoption of the
9 policy, the State Treasurer shall develop and make publically available a list
10 of persons it determines, using federal sanctions lists and any other credible
11 information available to the public, a list of persons it determines engage in
12 investment activities in Iran. The State Treasurer shall make every effort to
13 avoid erroneously including a person on the list. The State Treasurer shall
14 update the list every 180 days. Before finalizing an initial list or an updated
15 list, the State Treasurer must do all of the following before a person is
16 included on the list:

17 a. Provide 90 days' written notice of the State Treasurer's intent to
18 include the person on the list. The notice shall inform the person that
19 inclusion on the list would make the person ineligible for State
20 investment and may affect the person's ability to conduct other
21 business with the State and its subdivisions. The notice shall specify
22 that the person, if it ceases its engagement in investment activities in
23 Iran, may be removed from the list.

24 b. The State Treasurer shall provide a person with an opportunity to
25 comment in writing that it is not engaged in investment activities in
26 Iran. If the person demonstrates to the State Treasurer that the person
27 is not engaged in investment activities in Iran, the person shall not be
28 included on the list.

- 29 (2) Investments prohibited. – Neither the North Carolina Retirement Systems
30 nor the State Treasurer may invest funds with a person that is identified on a
31 list created pursuant to subdivision (1) of this section as a person engaging in
32 investment activities in Iran.

- 33 (3) Existing investments. – Any existing investment with a person that is
34 identified on a list created pursuant to subdivision (1) of this section as a
35 person engaging in investment activities in Iran must be divested within 180
36 days of the adoption of the policy.

- 37 (4) Fiduciary duties. – Nothing in the policy shall require the North Carolina
38 Retirement Systems or the State Treasurer to take action unless it is
39 determined by the State Treasurer, in good faith, that the action is consistent
40 with the fiduciary responsibilities of the Retirement Systems and the State
41 Treasurer.

- 42 (5) Exceptions. – Notwithstanding the policy, an investment may be made in a
43 person engaged in investment activities in Iran, on a case-by-case basis, if:

44 a. The investment activities in Iran were made before the effective date
45 of this act, the investment activities in Iran have not been expanded
46 or renewed after the effective date of this act, and the person has
47 adopted, publicized, and is implementing a formal plan to cease the
48 investment activities in Iran and to refrain from engaging in any new
49 investments in Iran; or

50 b. The State Treasurer makes a good-faith determination that the
51 investments are necessary to perform its functions.

"§ 143C-6A-5. Certification required.

(a) A State agency shall require a person that attempts to contract with the State or political subdivision of the State, including a contract renewal or assumption, to certify, at the time the bid is submitted or the contract is entered into, renewed, or assigned, that the person or the assignee is not identified on a list created by the State Treasurer pursuant to G.S. 143C-6A-4. A State agency shall include certification information in the procurement record.

(b) A person that contracts with the State or a political subdivision of the State, including a contract renewal or assumption, shall not utilize on the contract with the State agency any subcontractor that is identified on a list created pursuant to G.S. 143C-6A-4.

(c) Upon receiving information that a person who has made the certification required by subsection (a) of this section is in violation thereof, the State agency shall review the information and offer the person an opportunity to respond. If the person fails to demonstrate that it has ceased its engagement in the investment which is in violation of this act within 90 days after the determination of the violation, then the State agency shall take action as may be appropriate and provided for by law, rule, or contract.

"§ 143C-6A-6. Restrictions on contracts with the State or subdivisions of the State.

(a) A person that is identified on a list created by the State Treasurer pursuant to G.S. 143C-6A-4 as a person engaging in investment activities in Iran is ineligible to contract with the State or any political subdivision of the State.

(b) Any contract entered into with a person that is ineligible to contract with the State or any political subdivision of the State is void ab initio.

"§ 143C-6A-7. Exceptions.

(a) G.S. 143C-6A-6 does not apply to contracts valued at one thousand dollars (\$1,000) or less.

(b) Notwithstanding G.S. 143C-6A-6, a person engaged in investment activities in Iran may contract with the State or a political subdivision of the State, on a case-by-case basis, if:

- (1) The investment activities in Iran were made before the effective date of this act, the investment activities in Iran have not been expanded or renewed after the effective date of this act, and the person has adopted, publicized, and is implementing a formal plan to cease the investment activities in Iran and to refrain from engaging in any new investments in Iran; or
- (2) The State agency makes a good-faith determination that the commodities or services are necessary to perform its functions and that, absent such an exemption, the State agency would be unable to obtain the commodities or services for which the contract is offered. The determination shall be entered into the procurement record.

"§ 143C-6A-8. Report; application.

(a) The State Treasurer shall report to the Joint Legislative Commission on Governmental Operations and the Governor annually by October 1 on the status of the federal "Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010" (Public Law 111-195), the "Iran Divestment Act of 2015," and any rules or regulations adopted thereunder.

(b) The restrictions provided for in this Article apply only until:

- (1) The President or Congress of the United States, by means including, but not limited to, legislation, executive order, or written certification, declares that divestment of the type provided for in this Article interferes with the conduct of United States foreign policy; or
- (2) Congress revokes authority to divest in the manner provided for in this Article."

1 **SECTION 2.** Nothing in this act is intended to create a fiduciary relationship
2 between the State Treasurer and any party who uses the list or any fiduciary duty on the part of
3 the State Treasurer where one does not otherwise exist by law.

4 **SECTION 3.** The State Treasurer shall submit to the Attorney General of the
5 United States a written notice describing this act within 30 days after the effective date of this
6 act.

7 **SECTION 4.** This act becomes effective October 1, 2015.



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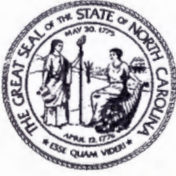
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North Carolina General Assembly - House Sergeant-at-Arms

House Staff

Committee: PENSIONS & Retirement Date: 9 June 2015

Pages

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North Carolina General Assembly - House Sergeant-at-Arms

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Committee: Pensions & Retirement Date: 9 June 2015

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Flint Benson

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Suzanne Beasley

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Meghan Cook

OITS

Natalie Hobson

NCHFA

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This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper appears to be from a notebook or a set of legal pads. The edges of the paper are slightly irregular, suggesting it might be a scan of a physical document. There is no handwriting or other markings on the page.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper appears to be from a notebook or a set of legal pads. The edges of the paper are slightly irregular, suggesting it might be a scan of a physical document. There is no handwriting or other markings on the page.

House Committee on Pensions and Retirement
Tuesday, June 16, 2015 at 10:00am
Room 415 LOB

MINUTES

The House Committee on Pensions and Retirement met on Tuesday, June 16, 2015 at 10:00 am in Room 415 of the Legislative Office Building. Representatives McNeill, Ross, Michaux, L. Bell, Bishop, B. Brown, Elmore, Gill, Hurley, and Langdon attended.

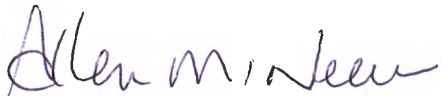
Representative Allen McNeill presided and called the meeting to order at 10:02. He introduced the Sergeant at Arms staff and the pages.

The chair said there was a House Proposed Committee Substitute before the committee for **SB 455, Iran Divestment Act**. Representative Elmore was recognized for a motion to hear the PCS. The motion passed. Senator Gunn was then recognized to explain the PCS. He explained that this bill will prohibit State and Local Governments from doing business with Iran as it relates to the energy sector. There was a short discussion from the committee. Edgar Starnes and Blake Thomas from the State Treasurer's office provided information and answered questions.


Representative Michaux made a motion for favorable to the House PCS and unfavorable to the Senate Committee Substitute. The motion passed.

There being no further business, Representative McNeill adjourned the meeting at 10:15am.

Respectfully submitted,



Representative Allen McNeill, Chair



Laura Sullivan, Committee Clerk



ATTENDANCE

House Committee on Pensions and Retirement

(Name of Committee)

[illegible]



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Pensions and Retirement** will meet as follows:

DAY & DATE: Tuesday, June 16, 2015

TIME: 10:00 AM

LOCATION: 415 LOB

COMMENTS: Rep. McNeill chairing.

The following bills will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 455	Iran Divestment Act.	Senator Gunn

Respectfully,

Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 9:59 AM on Thursday, June 11, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Laura Sullivan (Committee Assistant)



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

**PENSIONS AND RETIREMENT COMMITTEE REPORT
Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair**

FAVORABLE HOUSE COM SUB, UNFAVORABLE SENATE COM SUB

SB 455 (CS#1)

Iran Divestment Act.

Draft Number: S455-PCS35290-RO-17

Serial Referral: None

Recommended Referral: None

Long Title Amended: No

Floor Manager: Ross

TOTAL REPORTED: 1



★ C M R 4 5 3 - V - 1 ★



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL 455
Commerce Committee Substitute Adopted 4/15/15
PROPOSED HOUSE COMMITTEE SUBSTITUTE S455-CSRO-17 [v.1]

6/12/2015 11:40:15 AM

Short Title: Iran Divestment Act.

(Public)

Sponsors:

Referred to:

March 26, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO ENACT THE IRAN DIVESTMENT ACT.
3 The General Assembly of North Carolina enacts:

4 SECTION 1. Chapter 143C of the General Statutes is amended by adding a new
5 Article to read:

6 "Article 6A.

7 "Iran Divestment Act.

8 "§ 143C-6A-1. Article title.

9 This Article may be cited as the "Iran Divestment Act of 2015."

10 "§ 143C-6A-2. Findings.

11 The General Assembly finds that:

- 12 (1) Congress and the President have determined that the illicit nuclear activities
13 of the Government of Iran, combined with its development of
14 unconventional weapons and ballistic missiles and its support of
15 international terrorism, represent a serious threat to the security of the United
16 States, Israel, and other United States allies in Europe, the Middle East, and
17 around the world.
- 18 (2) The International Atomic Energy Agency has repeatedly called attention to
19 Iran's unlawful nuclear activities, and, as a result, the United Nations
20 Security Council has adopted a range of sanctions designed to encourage the
21 Government of Iran to cease those activities and comply with its obligations
22 under the Treaty on the Non-Proliferation of Nuclear Weapons.
- 23 (3) On July 1, 2010, President Barack Obama signed into law H.R. 2194, the
24 "Comprehensive Iran Sanctions, Accountability, and Divestment Act of
25 2010" (Public Law 111-195), which expressly authorizes states and local
26 governments to prevent investment in, including prohibiting entry into or
27 renewing contracts with, companies operating in Iran's energy sector with
28 investments that have the result of directly or indirectly supporting the
29 efforts of the Government of Iran to achieve nuclear weapons capability.
- 30 (4) The serious and urgent nature of the threat from Iran demands that states,
31 local governments, and private institutions work together with the federal
32 government and American allies to do everything possible diplomatically,
33 politically, and economically to prevent Iran from acquiring nuclear
34 weapons capability.



* S 4 5 5 - C S R O - 1 7 - V - 1 *



- (5) Respect for human rights in Iran has steadily deteriorated as demonstrated by transparently fraudulent elections and the brutal repression and murder, arbitrary arrests, and show trials of peaceful dissidents.
- (6) The concerns of the State regarding Iran are strictly the result of the actions of the Government of Iran and should not be construed as enmity towards the Iranian people.
- (7) In order to effectively address the need for this State to respond to the policies of Iran in a uniform fashion, prohibiting contracts with persons engaged in investment activities in the energy sector of Iran must be accomplished on a statewide basis.
- (8) It is the intent of the General Assembly to fully implement the authority granted under Section 202 of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (Public Law 111-195).

"§ 143C-6A-3. Definitions.**As used in this Article:**

- (1) "Energy sector of Iran" means activities to develop petroleum or natural gas resources or nuclear power in Iran.
- (2) "Financial institution" means the term as used in Section 14 of the Iran Sanctions Act of 1996, as amended (Public Law 104-172; 50 U.S.C. 1701 § note).
- (3) "Investment" means a commitment or contribution of funds or property, whatever the source, a loan or other extension of credit, and the entry into or renewal of a contract for goods or services. It does not include indirect beneficial ownership through index funds, commingled funds, limited partnerships, derivative instruments, or the like.
- (4) "Investment activities in Iran" means a person engages in investment activities in Iran if:
- a. The person provides goods or services of twenty million dollars (\$20,000,000) or more within any 12-month period in the energy sector of Iran, including a person that provides oil or liquefied natural gas tankers, or products used to construct or maintain pipelines used to transport oil or liquefied natural gas, for the energy sector of Iran;
- or
- b. The person is a financial institution that extends twenty million dollars (\$20,000,000) or more in credit to another person, for 45 days or more, if (i) the financial institution knows, or reasonably should know, that person will use the credit to provide goods or services in the energy sector in Iran, and (ii) the person receiving credit is identified on a list created pursuant to G.S. 143C-6A-6 as a person engaging in investment activities in Iran as described in this section.
- (5) "Iran" includes the Government of Iran and any agency or instrumentality of Iran.
- (6) "Person" means any of the following:
- a. A natural person, corporation, company, limited liability company, business association, partnership, society, trust, or any other nongovernmental entity, organization, or group.
- b. Any governmental entity or instrumentality of a government, including a multilateral development institution, as defined in section 1701(c)(3) of the International Financial Institutions Act (22 U.S.C. § 262r(c)(3)).



c. Any successor, parent entity owning more than 20%, or majority-owned subunit or subsidiary of any entity described in sub-subdivisions (a) and (b) of this subdivision.

(7) "State agency" means any board, commission, department, executive department, officer, institution, and any political subdivision of the State.

"§ 143C-6A-4. Prohibitions on State investment.

No more than 30 days after the effective date of this act, the State Treasurer shall adopt a policy prohibiting the North Carolina Retirement Systems or the Department of the State Treasurer from investing funds with a person engaging in investment activities in Iran. At a minimum the policy shall provide:

(1) List of persons engaged in investment. – Within 120 days of adoption of the policy, the State Treasurer shall develop and make publically available a list of persons it determines, using federal sanctions lists and any other credible information available to the public, a list of persons it determines engage in investment activities in Iran. The State Treasurer shall make every effort to avoid erroneously including a person on the list. The State Treasurer shall update the list every 180 days. Before finalizing an initial list or an updated list, the State Treasurer must do all of the following before a person is included on the list:

a. Provide 90 days' written notice of the State Treasurer's intent to include the person on the list. The notice shall inform the person that inclusion on the list would make the person ineligible for State investment and may affect the person's ability to conduct other business with the State and its subdivisions. The notice shall specify that the person, if it ceases its engagement in investment activities in Iran, may be removed from the list.

b. The State Treasurer shall provide a person with an opportunity to comment in writing that it is not engaged in investment activities in Iran. If the person demonstrates to the State Treasurer that the person is not engaged in investment activities in Iran, the person shall not be included on the list.

(2) Investments prohibited. – Neither the North Carolina Retirement Systems nor the State Treasurer may invest funds with a person that is identified on a list created pursuant to subdivision (1) of this section as a person engaging in investment activities in Iran.

(3) Existing investments. – Any existing investment with a person that is identified on a list created pursuant to subdivision (1) of this section as a person engaging in investment activities in Iran must be divested within 180 days of the adoption of the policy.

(4) Fiduciary duties. – Nothing in the policy or in this Article shall require the North Carolina Retirement Systems or the State Treasurer to take action unless it is determined by the State Treasurer, in good faith, that the action is consistent with the fiduciary responsibilities of the Retirement Systems and the State Treasurer.

(5) Exceptions. – Notwithstanding the policy, an investment may be made in a person engaged in investment activities in Iran if:

a. The person is eligible to contract with the State under the exception in G.S. 143C-6A-7(b).

b. The State Treasurer makes a good-faith determination, on a case-by-case basis, that the investments are necessary to perform its functions.



"§ 143C-6A-5. Certification required.

(a) A State agency shall require a person that attempts to contract with the State or political subdivision of the State, including a contract renewal or assumption, to certify, at the time the bid is submitted or the contract is entered into, renewed, or assigned, that the person or the assignee is not identified on a list created by the State Treasurer pursuant to G.S. 143C-6A-4. A State agency shall include certification information in the procurement record.

(b) A person that contracts with the State or a political subdivision of the State, including a contract renewal or assumption, shall not utilize on the contract with the State agency any subcontractor that is identified on a list created pursuant to G.S. 143C-6A-4.

(c) Upon receiving information that a person who has made the certification required by subsection (a) of this section is in violation thereof, the State agency shall review the information and offer the person an opportunity to respond. If the person fails to demonstrate that the person should not have been identified on the list created pursuant to G.S. 143C-6A-4 within 90 days after the determination of the violation, then the State agency shall take action as may be appropriate and provided for by law, rule, or contract.

"§ 143C-6A-6. Restrictions on contracts with the State or subdivisions of the State.

(a) A person that is identified on a list created by the State Treasurer pursuant to G.S. 143C-6A-4 as a person engaging in investment activities in Iran is ineligible to contract with the State or any political subdivision of the State.

(b) Any contract entered into with a person that is ineligible to contract with the State or any political subdivision of the State is void ab initio.

(c) Existing contracts with persons made ineligible to contract with the State or any political subdivision of the State under this Article shall be allowed to expire in accordance with the terms of the contract.

"§ 143C-6A-7. Exceptions.

(a) G.S. 143C-6A-6 does not apply to contracts valued at one thousand dollars (\$1,000) or less.

(b) Persons engaged in substantial positive action. – Notwithstanding any other provision of this Article, a person engaged in investment activities in Iran may contract with the State or a political subdivision of the State if the State Treasurer determines, using U.S. government statements and any other credible information available to the public, that the person's investment activities in Iran were made before the effective date of this act, the investment activities in Iran have not been expanded or renewed after the effective date of this act, and the person has adopted, publicized, and is implementing a detailed plan to cease the investment activities in Iran and to refrain from engaging in any new investments in Iran. The State Treasurer shall develop and make publically available a "Substantial Positive Action Exception List" of these persons. The State Treasurer shall update the list every 180 days. Once a person has not engaged in investment activities in Iran within the previous five years, the State Treasurer shall remove that person from the list created pursuant to G.S. 143C-6A-4.

(c) Necessary commodities or services. – Notwithstanding any other provision of this Article, a person engaged in investment activities in Iran may contract with the State or a political subdivision of the State, on a case-by-case basis, if the State agency or political subdivision makes a good-faith determination that the commodities or services are necessary to perform its functions and that, absent such an exemption, the State agency would be unable to obtain the commodities or services for which the contract is offered. The determination shall be entered into the procurement record.

"§ 143C-6A-8. Report; application.

(a) The State Treasurer shall report to the Joint Legislative Commission on Governmental Operations and the Governor annually by October 1 on the status of the federal



1 "Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010" (Public Law
2 111-195), the "Iran Divestment Act of 2015," and any rules or regulations adopted thereunder.

3 (b) The restrictions provided for in this Article apply only until:

4 (1) The President or Congress of the United States, by means including, but not
5 limited to, legislation, executive order, or written certification, declares that
6 divestment of the type provided for in this Article interferes with the conduct
7 of United States foreign policy; or with respect to restrictions on any
8 particular investment activities in Iran, those activities have been specifically
9 exempted from U.S. government sanctions by an affirmative declaration
10 authorized by the Congress of the United States; or

11 (2) Congress revokes authority to divest in the manner provided for in this
12 Article.

13 **"§ 143-C-6A-9. No private right of action.**

14 (a) This Article does not create or authorize a private right of action to enforce the
15 provisions of the Article.

16 (b) A person may challenge being included on the lists established in this Article using
17 the procedures in Article 3 of Chapter 150B of the General Statutes, except that no person may
18 file a contested case more than once every 365 days, and no attorneys' fees may be awarded
19 under G.S. 150B-33(b)(11)."

20 **SECTION 2.** Nothing in this act is intended to create a fiduciary relationship
21 between the State Treasurer and any party who uses the list or any fiduciary duty on the part of
22 the State Treasurer where one does not otherwise exist by law.

23 **SECTION 3.** The State Treasurer shall submit to the Attorney General of the
24 United States a written notice describing this act within 30 days after the effective date of this
25 act.

26 **SECTION 4.(a)** Pursuant to G.S. 147-69.3(g), the State Treasurer is authorized to
27 retain the services of consultants, professional individuals, analysts, data collection firms, or
28 other persons possessing specialized skills or knowledge necessary for the proper
29 implementation and administration of the requirements of this act.

30 **SECTION 4.(b)** This section is effective when it becomes law.

31 **SECTION 5.** Except as otherwise provided, this act becomes effective October 1,
32 2015.



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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2

SENATE BILL 455
Commerce Committee Substitute Adopted 4/15/15

Short Title: Iran Divestment Act.

(Public)

Sponsors:

Referred to:

March 26, 2015

A BILL TO BE ENTITLED
AN ACT TO ENACT THE IRAN DIVESTMENT ACT.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 143C of the General Statutes is amended by adding a new Article to read:

"Article 6A.

"Iran Divestment Act.

"§ 143C-6A-1. Article title.

This Article may be cited as the "Iran Divestment Act of 2015."

"§ 143C-6A-2. Findings.

The General Assembly finds that:

- (1) Congress and the President have determined that the illicit nuclear activities of the Government of Iran, combined with its development of unconventional weapons and ballistic missiles and its support of international terrorism, represent a serious threat to the security of the United States, Israel, and other United States allies in Europe, the Middle East, and around the world.
- (2) The International Atomic Energy Agency has repeatedly called attention to Iran's unlawful nuclear activities, and, as a result, the United Nations Security Council has adopted a range of sanctions designed to encourage the Government of Iran to cease those activities and comply with its obligations under the Treaty on the Non-Proliferation of Nuclear Weapons.
- (3) On July 1, 2010, President Barack Obama signed into law H.R. 2194, the "Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010" (Public Law 111-195), which expressly authorizes states and local governments to prevent investment in, including prohibiting entry into or renewing contracts with, companies operating in Iran's energy sector with investments that have the result of directly or indirectly supporting the efforts of the Government of Iran to achieve nuclear weapons capability.
- (4) The serious and urgent nature of the threat from Iran demands that states, local governments, and private institutions work together with the federal government and American allies to do everything possible diplomatically, politically, and economically to prevent Iran from acquiring nuclear weapons capability.





- (5) Respect for human rights in Iran has steadily deteriorated as demonstrated by transparently fraudulent elections and the brutal repression and murder, arbitrary arrests, and show trials of peaceful dissidents.
- (6) The concerns of the State regarding Iran are strictly the result of the actions of the Government of Iran and should not be construed as enmity towards the Iranian people.
- (7) In order to effectively address the need for this State to respond to the policies of Iran in a uniform fashion, prohibiting contracts with persons engaged in investment activities in the energy sector of Iran must be accomplished on a statewide basis.
- (8) It is the intent of the General Assembly to fully implement the authority granted under Section 202 of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (Public Law 111-195).

"§ 143C-6A-3. Definitions.**As used in this Article:**

- (1) "Energy sector of Iran" means activities to develop petroleum or natural gas resources or nuclear power in Iran.
- (2) "Financial institution" means the term as used in Section 14 of the Iran Sanctions Act of 1996 (Public Law 104-172; 50 U.S.C. 1701 § note).
- (3) "Investment" means a commitment or contribution of funds or property, whatever the source, a loan or other extension of credit, and the entry into or renewal of a contract for goods or services. It does not include indirect beneficial ownership through index funds, commingled funds, limited partnerships, derivative instruments, or the like.
- (4) "Investment activities in Iran" means a person engages in investment activities in Iran if:
- a. The person provides goods or services of twenty million dollars (\$20,000,000) or more in the energy sector of Iran, including a person that provides oil or liquefied natural gas tankers, or products used to construct or maintain pipelines used to transport oil or liquefied natural gas, for the energy sector of Iran; or
- b. The person is a financial institution that extends twenty million dollars (\$20,000,000) or more in credit to another person, for 45 days or more, if that person will use the credit to provide goods or services in the energy sector in Iran and is identified on a list, created pursuant to G.S. 143C-6A-6, as a person engaging in investment activities in Iran as described in this section.
- (5) "Iran" includes the Government of Iran and any agency or instrumentality of Iran.
- (6) "Person" means any of the following:
- a. A natural person, corporation, company, limited liability company, business association, partnership, society, trust, or any other nongovernmental entity, organization, or group.
- b. Any governmental entity or instrumentality of a government, including a multilateral development institution, as defined in section 1701(c)(3) of the International Financial Institutions Act (22 U.S.C. § 262r(c)(3)).
- c. Any successor, subunit, parent entity, or subsidiary of, or any entity under common ownership or control with any entity described in sub-subdivisions (a) and (b) of this subdivision.



- (7) "State agency" means any board, commission, department, executive department, officer, institution, and any political subdivision of the State.

"§ 143C-6A-4. Prohibitions on State investment.

No more than 30 days after the effective date of this act, the State Treasurer shall adopt a policy prohibiting the North Carolina Retirement Systems or the Department of the State Treasurer from investing funds with a person engaging in investment activities in Iran. At a minimum the policy shall provide:

- (1) List of persons engaged in investment. – Within 120 days of adoption of the policy, the State Treasurer shall develop and make publically available a list of persons it determines, using federal sanctions lists and any other credible information available to the public, a list of persons it determines engage in investment activities in Iran. The State Treasurer shall make every effort to avoid erroneously including a person on the list. The State Treasurer shall update the list every 180 days. Before finalizing an initial list or an updated list, the State Treasurer must do all of the following before a person is included on the list:

a. Provide 90 days' written notice of the State Treasurer's intent to include the person on the list. The notice shall inform the person that inclusion on the list would make the person ineligible for State investment and may affect the person's ability to conduct other business with the State and its subdivisions. The notice shall specify that the person, if it ceases its engagement in investment activities in Iran, may be removed from the list.

b. The State Treasurer shall provide a person with an opportunity to comment in writing that it is not engaged in investment activities in Iran. If the person demonstrates to the State Treasurer that the person is not engaged in investment activities in Iran, the person shall not be included on the list.

- (2) Investments prohibited. – Neither the North Carolina Retirement Systems nor the State Treasurer may invest funds with a person that is identified on a list created pursuant to subdivision (1) of this section as a person engaging in investment activities in Iran.

- (3) Existing investments. – Any existing investment with a person that is identified on a list created pursuant to subdivision (1) of this section as a person engaging in investment activities in Iran must be divested within 180 days of the adoption of the policy.

- (4) Fiduciary duties. – Nothing in the policy shall require the North Carolina Retirement Systems or the State Treasurer to take action unless it is determined by the State Treasurer, in good faith, that the action is consistent with the fiduciary responsibilities of the Retirement Systems and the State Treasurer.

- (5) Exceptions. – Notwithstanding the policy, an investment may be made in a person engaged in investment activities in Iran, on a case-by-case basis, if:

a. The investment activities in Iran were made before the effective date of this act, the investment activities in Iran have not been expanded or renewed after the effective date of this act, and the person has adopted, publicized, and is implementing a formal plan to cease the investment activities in Iran and to refrain from engaging in any new investments in Iran; or

b. The State Treasurer makes a good-faith determination that the investments are necessary to perform its functions.



"§ 143C-6A-5. Certification required.

(a) A State agency shall require a person that attempts to contract with the State or political subdivision of the State, including a contract renewal or assumption, to certify, at the time the bid is submitted or the contract is entered into, renewed, or assigned, that the person or the assignee is not identified on a list created by the State Treasurer pursuant to G.S. 143C-6A-4. A State agency shall include certification information in the procurement record.

(b) A person that contracts with the State or a political subdivision of the State, including a contract renewal or assumption, shall not utilize on the contract with the State agency any subcontractor that is identified on a list created pursuant to G.S. 143C-6A-4.

(c) Upon receiving information that a person who has made the certification required by subsection (a) of this section is in violation thereof, the State agency shall review the information and offer the person an opportunity to respond. If the person fails to demonstrate that it has ceased its engagement in the investment which is in violation of this act within 90 days after the determination of the violation, then the State agency shall take action as may be appropriate and provided for by law, rule, or contract.

"§ 143C-6A-6. Restrictions on contracts with the State or subdivisions of the State.

(a) A person that is identified on a list created by the State Treasurer pursuant to G.S. 143C-6A-4 as a person engaging in investment activities in Iran is ineligible to contract with the State or any political subdivision of the State.

(b) Any contract entered into with a person that is ineligible to contract with the State or any political subdivision of the State is void ab initio.

"§ 143C-6A-7. Exceptions.

(a) G.S. 143C-6A-6 does not apply to contracts valued at one thousand dollars (\$1,000) or less.

(b) Notwithstanding G.S. 143C-6A-6, a person engaged in investment activities in Iran may contract with the State or a political subdivision of the State, on a case-by-case basis, if:

- (1) The investment activities in Iran were made before the effective date of this act, the investment activities in Iran have not been expanded or renewed after the effective date of this act, and the person has adopted, publicized, and is implementing a formal plan to cease the investment activities in Iran and to refrain from engaging in any new investments in Iran; or
- (2) The State agency makes a good-faith determination that the commodities or services are necessary to perform its functions and that, absent such an exemption, the State agency would be unable to obtain the commodities or services for which the contract is offered. The determination shall be entered into the procurement record.

"§ 143C-6A-8. Report; application.

(a) The State Treasurer shall report to the Joint Legislative Commission on Governmental Operations and the Governor annually by October 1 on the status of the federal "Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010" (Public Law 111-195), the "Iran Divestment Act of 2015," and any rules or regulations adopted thereunder.

(b) The restrictions provided for in this Article apply only until:

- (1) The President or Congress of the United States, by means including, but not limited to, legislation, executive order, or written certification, declares that divestment of the type provided for in this Article interferes with the conduct of United States foreign policy; or
- (2) Congress revokes authority to divest in the manner provided for in this Article."

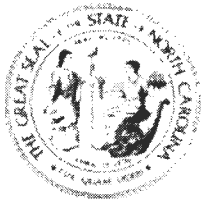


1 **SECTION 2.** Nothing in this act is intended to create a fiduciary relationship
2 between the State Treasurer and any party who uses the list or any fiduciary duty on the part of
3 the State Treasurer where one does not otherwise exist by law.

4 **SECTION 3.** The State Treasurer shall submit to the Attorney General of the
5 United States a written notice describing this act within 30 days after the effective date of this
6 act.

7 **SECTION 4.** This act becomes effective October 1, 2015.





SENATE BILL 455: Iran Divestment Act

2015-2016 General Assembly

Committee: House Pensions and Retirement
Introduced by: Sen. Gunn
Analysis of: PCS to Second Edition
S455-CSRO-17

Date: June 15, 2015
Prepared by: Karen Cochrane-Brown
Committee Counsel

SUMMARY: *The Proposed House Committee Substitute for Senate Bill 455 would prohibit certain investments and contracts with persons determined to be engaging in investment activities in Iran. The Department of State Treasurer is directed to adopt a policy on divestment consistent with its current policy.*

CURRENT LAW: The federal Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 expressly authorizes states and local governments to prevent investment in companies operating in Iran's energy sector with investments that have the result of supporting the efforts of the government of Iran to achieve nuclear weapons capability. The North Carolina Department of the State Treasurer currently has an Iran Divestment Policy consistent with this act.

BILL ANALYSIS:

Section 1 of Senate Bill 455 would create a new article under Chapter 143C of the General Statutes entitled the Iran Divestment Act of 2015. The section states the intent of the General Assembly to implement the authority granted under Section 202 of the federal Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 by prohibiting certain investments and contracts with persons engaged in investment activities in the energy sector of Iran on a statewide basis.

The bill directs the State Treasurer to adopt a policy to identify persons engaged in investment activities in Iran, to prohibit investment of State funds with those persons, and prohibits persons on the list from contracting with the State.

List of persons: The State Treasurer would be required to create a list of persons engaging in investment activities in the energy sector of Iran. Investment activities in the energy sector of Iran are defined as activities to develop petroleum, natural gas resources, or nuclear power by: a person providing goods or services of 20 million dollars within a 12 month period to the energy sector of Iran; or a person that extends 20 million dollars or more in credit that will be used to provide goods or services in the energy sector of Iran.

The State Treasurer would create the list within 120 days of adoption of the policy and update it every 180 days. The State Treasurer would provide 90 days' written notice to inform any person of the intent of the State Treasurer to include that person on the list and provide that person with the opportunity to deny in writing its engagement in investment activities in the energy sector of Iran.

Prohibited Investments: The bill would prohibit the North Carolina Retirement System or the Department of the State Treasurer from investing funds with a person identified on the list created by the State Treasurer. It would also require that any existing investment with a person on the list be divested within 180 days of the adoption of the policy.

O. Walker Reagan
Director



Research Division
(919) 733-2578



Senate Bill 455

Page 2

The bill clarifies that nothing in the divestment policy will require the North Carolina Retirement System or the State Treasurer to take action unless the State Treasurer determines in good faith that the action is consistent with the fiduciary duties of those agencies.

An investment may be made in a person identified on the list if:

- The person is eligible to contract with the State under the "substantial positive action exception"; or
- The State Treasurer makes a good faith determination that the investments are necessary to perform its functions.

Prohibited Contracts: The bill would make any person on the list created by the State Treasurer ineligible to contract with the State. It would require a person that contracts with the State to certify that the person is not identified on the list created by the State Treasurer. The State agency would be required to maintain a record of the certification.

Exceptions: The prohibition would not apply to contracts valued at \$1,000 or less.

The State may contract with a person engaged in substantial positive action which is action taken by the person to demonstrate that the person has not expanded or renewed the investment activities taken before the effective date of this act and has adopted a formal plan to cease the investment and to refrain from engaging in new investments in Iran.

The State may also contract with a person if the State agency makes a good faith determination that the commodities or services provided by the contract are necessary to perform its functions and the agency would otherwise be unable to obtain the commodities or services.

Reporting and Application: The State Treasurer would report to Joint Legislative Commission on Governmental Operations and the Governor annually on the status of the federal law and the implementation of the act.

The restrictions in this act would apply only until: (1) the President or Congress declares that divestment of this type interferes with the conduct of United States foreign policy; or (2) Congress revokes authority to divest in the manner provided for in the act.

No Private Right of Action: The new Article does not create a private right of action to enforce its provisions. A person may challenge being included on the list by commencing a contested case.

Section 2 would clarify that nothing in this act is intended to create a fiduciary relationship between the State Treasurer and anyone who uses the list or any fiduciary duty on the part of the State Treasurer where one does not otherwise exist by law.

Section 3 would require the State Treasurer to report a description of this act to the Attorney General of the United States within 30 days, as required by federal law.

Section 4 would authorize the State Treasurer to retain consultants and professional to assist with the implementation of the act. This section would become effective when the act becomes law.

EFFECTIVE DATE: This act becomes effective October 1, 2015.





North Carolina General Assembly - House Sergeant-at-Arms

Visitors

Committee: Pensions & Retirement Date: 16 June '15

Name

Organization

Laura W. Buffalo	Esquires for Education
Tonza Ruffin Buffalo	Esquires for Education Inc.
Arcata Kimbrough Buffalo	Esquires for Education
Michel Green	Esquires for Education
Helene Joyner	Esquires for Education
Rory Presnell, Jr.	NC Retired School Personell
Charlie Jenkins	Esquires for Education
Kathleen Tillery	Esquires for Education
Flint Benson	SEANC
Tom Murry	NCAOC
Stacy	AS
Malcolm	DST
Samuel Tripp	NCGA
Penny Luff	School 6 1202
Herman Drake	Esquires for Education
Corey Jenkins	Esquires for Education

(over)

Name

Organization

Rebekah Bradley

H. Governor's Office

**House Committee on Pensions and Retirement
Wednesday, May 18, 2016 at 10:00 AM
Room 415 of the Legislative Office Building**

MINUTES

The House Committee on Pensions and Retirement met at 10:00 AM on May 18, 2016 in Room 415 of the Legislative Office Building. Representatives L. Bell, Bishop, Elmore, Gill, Holley, Hurley, Langdon, McNeill, Michaux, Ross, and Waddell attended.

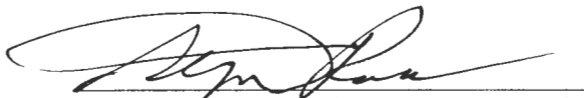
Representative Stephen M. Ross, Chair, presided.

The following bills were considered:

HB 1030 2016 Appropriations Act. (Representatives Dollar, L. Johnson, Lambeth, McGrady)

Representative Dollar presented the 2016 Appropriations Act. Representative Michaux asked a question and Representative Langdon made a comment. Representative Michaux motioned for a favorable report, Representative Elmore seconded the motion.

The meeting adjourned at 10:11 am.



Representative Stephen M. Ross, Chair
Presiding



Laura Spratley, Committee Clerk



House Committee on Pensions and Retirement

[illegible]



House Committee on Pensions and Retirement
Wednesday, May 18, 2016, 10:00 AM
415 Legislative Office Building

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO. SHORT TITLE

HB 1030 2016 Appropriations Act.

SPONSOR

Representative Dollar

Representative L. Johnson

Representative Lambeth

Representative McGrady

Presentations

Other Business

Adjournment



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

PENSIONS AND RETIREMENT COMMITTEE REPORT

**Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair**

FAVORABLE

HB 1030 (CS#2)

2016 Appropriations Act.

Draft Number:	None
Serial Referral:	None
Recommended Referral:	None
Long Title Amended:	No
Floor Manager:	Dollar

TOTAL REPORTED: 1



* C M R 6 3 4 - V - 2 *



Date: ~~8-18-16~~ 5-18-16

Bill Number 10.30

PCS _____

Motion to be before the committee by _____

Rep Dollar explained the bill.

Discussion on the Bill YES or NO

Rep Michaux & Elmore motioned for:

☒ Favorable Report ☐ Adoption

☐ Unfavorable Report ☐ Unfavorable to original bill, fav to PCS

☐ No vote

Amendments: : _____

Serial referral to: Move to the floor.

10:11 am

Speakers:

Handouts:



(11c) "Law-Enforcement Officer" means a full-time paid employee of an employer who is actively serving in a position with assigned primary duties and responsibilities for prevention and detection of crime or the general enforcement of the criminal laws of the State of North Carolina or serving civil processes, and who possesses the power of arrest by virtue of an oath administered under the authority of the State. "Law-Enforcement Officer" also means a probation/parole officer as defined in this section with respect to any service rendered on or after July 1, 2016.

...
(17a) "Probation/Parole Officer" means a full-time paid employee of the Division of Adult Correction of the Department of Public Safety whose duties include supervising, evaluating, or otherwise instructing adult offenders who have been placed on probation, parole, post-release supervision, or have been assigned to any other community-based program operated by the Division of Adult Correction.

...."

SECTION 36.22.(b) G.S. 143-166.41(b) reads as rewritten:

"(b) As used in this section, "creditable service" means the service for which credit is allowed under the retirement system of which the officer is a member, provided that at least fifty percent (50%) of the service is as a law enforcement officer as herein ~~defined~~. defined or as a probation/parole officer as defined in G.S. 135-1(17a)."

SECTION 36.22.(c) This section becomes effective July 1, 2016, and applies to persons retiring on or after that date.

QUALIFIED EXCESS BENEFIT ARRANGEMENT

SECTION 36.23.(a) G.S. 135-151(j) reads as rewritten:

"(j) Sunset of Eligibility to Participate in the QEBA. – No member of the Teachers' and State Employees' Retirement System ~~retiring on or after August 1, 2016, who became a member of the Retirement System on or after January 1, 2015,~~ shall be eligible to participate in the QEBA, and the Retirement System shall not pay any new ~~retiree-member~~ more retirement benefits than allowed under the limitations of section 415(b) of the Internal Revenue Code."

SECTION 36.23.(b) G.S. 128-38.10(k) reads as rewritten:

"(k) Sunset of Eligibility to Participate in the QEBA. – No member of the North Carolina Local Governmental Employees' Retirement System ~~retiring on or after August 1, 2016, who became a member of the Retirement System on or after January 1, 2015,~~ shall be eligible to participate in the QEBA, and the Retirement System shall not pay any new ~~retiree-member~~ more retirement benefits than allowed under the limitations of section 415(b) of the Internal Revenue Code."

STATE HEALTH PLAN COST CONTROLLING MEASURES

SECTION 36.24.(a) The General Assembly finds that the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees (Board of Trustees) have adopted sufficient measures for the 2017 calendar year to limit projected employer contribution increases. The State Treasurer and the Board of Trustees shall adopt additional measures applicable to the 2018 and 2019 calendar years to limit projected employer contribution increases during the 2017-2019 fiscal biennium.

SECTION 36.24.(b) Section 30.26 of S.L. 2015-241 is repealed.

DISTRIBUTION OF COMPENSATION INCREASE RESERVE

1 "SECTION 30.20.(c) Effective July 1, 2015, the maximum annual employer contributions,
2 payable monthly, by the State for each covered employee or retiree for the 2015-2016 fiscal year
3 to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and
4 retirees – four thousand two hundred fifty-one dollars (\$4,251) and (ii) non-Medicare-eligible
5 employees and retirees – five thousand four hundred seventy-one dollars (\$5,471).

6 "SECTION 30.20.(c1) Effective July 1, 2016, the maximum annual employer contributions,
7 payable monthly, by the State for each covered employee or retiree for the 2016-2017 fiscal year
8 to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and
9 retirees – four thousand three hundred ninety-seven dollars (\$4,397) and (ii) non-Medicare-eligible
10 employees and retirees – five thousand six hundred fifty-nine dollars (\$5,659)."

11
12 **PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE TEACHERS' AND**
13 **STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT**
14 **SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM**

15 **SECTION 36.21.(a)** G.S. 135-5 is amended by adding a new subsection to read:

16 "(uuu) From and after July 1, 2016, the retirement allowance to or on account of beneficiaries
17 whose retirement commenced on or before July 1, 2015, shall be increased by one and six-tenths
18 percent (1.6%) of the allowance payable on June 1, 2016, in accordance with G.S. 135-5(o).
19 Furthermore, from and after July 1, 2016, the retirement allowance to or on account of
20 beneficiaries whose retirement commenced after July 1, 2015, but before June 30, 2016, shall be
21 increased by a prorated amount of one and six-tenths percent (1.6%) of the allowance payable as
22 determined by the Board of Trustees based upon the number of months that a retirement allowance
23 was paid between July 1, 2015, and June 30, 2016."

24 **SECTION 36.21.(b)** G.S. 135-65 is amended by adding a new subsection to read:

25 "(ff) From and after July 1, 2016, the retirement allowance to or on account of beneficiaries
26 whose retirement commenced on or before July 1, 2015, shall be increased by one and six-tenths
27 percent (1.6%) of the allowance payable on June 1, 2016. Furthermore, from and after July 1,
28 2016, the retirement allowance to or on account of beneficiaries whose retirement commenced
29 after July 1, 2015, but before June 30, 2016, shall be increased by a prorated amount of one and
30 six-tenths percent (1.6%) of the allowance payable as determined by the Board of Trustees based
31 upon the number of months that a retirement allowance was paid between July 1, 2015, and June
32 30, 2016."

33 **SECTION 36.21.(c)** G.S. 120-4.22A is amended by adding a new subsection to read:

34 "(z) In accordance with subsection (a) of this section, from and after July 1, 2016, the
35 retirement allowance to or on account of beneficiaries whose retirement commenced on or before
36 January 1, 2016, shall be increased by one and six-tenths percent (1.6%) of the allowance payable
37 on June 1, 2016. Furthermore, from and after July 1, 2016, the retirement allowance to or on
38 account of beneficiaries whose retirement commenced after January 1, 2016, but before June 30,
39 2016, shall be increased by a prorated amount of one and six-tenths percent (1.6%) of the
40 allowance payable as determined by the Board of Trustees based upon the number of months that
41 a retirement allowance was paid between January 1, 2016, and June 30, 2016."

42
43 **ENHANCE THE BENEFITS OF PROBATION/PAROLE OFFICERS WHO ARE**
44 **MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT**
45 **SYSTEM**

46 **SECTION 36.22.(a)** G.S. 135-1 reads as rewritten:

47 **"§ 135-1. Definitions.**

48 The following words and phrases as used in this Chapter, unless a different meaning is plainly
49 required by the context, shall have the following meanings:

50 ...

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: Proposed Committee Substitute to House Bill 1030
(H1030-PCS30500-LUx-5)

SHORT TITLE: 2016 Appropriations Act.

SPONSOR(S): Representatives Dollar, L. Johnson, Lambeth, and McGrady

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; local government funds

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS), Consolidated Judicial Retirement System (CJRS), Legislative Retirement System (LRS), Local Governmental Employees' Retirement System (LGERS), Separate Insurance Benefit Plan (SIBP).

BILL SUMMARY:

Section 36.21: Grants cost-of-living adjustments (COLAs) of one and six-tenths percent (1.6%), effective July 1, 2016, for retirees in the TSERS, CJRS, and LRS.

Section 36.22: Defines a probation/parole officer for retirement benefit purposes and changes the definition of law-enforcement officer in G.S. 135-1(11c) to include probation/parole officers with respect to service rendered on or after July 1, 2016. Changing the definition of law-enforcement officer has the following impacts in other areas of the General Statutes:

- G.S. 135-5(b19) says "A member who is a law enforcement officer" will be eligible for unreduced retirement at age 55 with 5 years of service as a law-enforcement officer or reduced retirement at age 50 with 15 years of service as a law-enforcement officer. Because G.S. 135-5 is in the same chapter as G.S. 135-1(11c), changing the definition of law-enforcement officer extends those retirement age provisions to probation/parole officers.
- G.S. 143-166.41(a) says that the separation allowance is available to "every sworn law-enforcement officer as defined by G.S. 135-1(11c)...". By changing the definition in G.S. 135-1(11c), this section causes probation/parole officers to start earning service toward the separation allowance. While only service on or after July 1, 2016 counts toward the requirement to have 5 years of law enforcement service immediately prior to retirement, probation/parole officer service prior to July 1, 2016 will count toward the requirement that half of an employee's career be as a law enforcement officer.
- G.S. 143-166.60 says that the SIBP is established for "all law enforcement officers, as defined in G.S. 135-1(11c)..." By changing the definition in G.S. 135-1(11c), the bill makes probation/parole officers eligible for the SIBP.

The bill does not change the definition of law enforcement officer in G.S. 143-166.30(a)(4). That is the definition that applies to the NC 401(k) Plan. Thus, the bill does not extend the law-enforcement 401(k) benefits to probation/parole officers.

Because the bill only changes the definition of law-enforcement officer with respect to service rendered on or after July 1, 2016, most probation/parole officers would have to work for at least five more years to be eligible to retire at a different age or receive the separation allowance.

Section 36.23: Amends G.S. 135-151(j) and G.S. 128-38.10(k) to extend eligibility for benefits under the Qualified Excess Benefits Arrangement (QEBA) to everyone who became a member of TSERS or LGERS prior to 2015. The QEBA provides benefits in excess of the limits in Section 415 of the Internal Revenue Code. Under current law, only those members retiring prior to August 2016 are eligible.

No other sections of the proposed legislation modify retirement benefits or statutes.

EFFECTIVE DATE: All of these sections are effective July 1, 2016

ESTIMATED IMPACT ON STATE:

Section 36.21

Buck Consultants, the actuary for the TSERS, CJRS, and LRS, estimates that the provisions of this bill will have an annual cost in FY 2016-17 and subsequent years as follows:

	<u>TSERS</u>	<u>CJRS</u>	<u>LRS</u>
Percent of Payroll	0.68%	1.19%	1.38%
General Fund	\$ 67,082,000	\$ 833,000	\$ 49,956
Highway Fund	\$ 2,060,400	\$ 0	\$ 0
Receipt Funds	\$ 30,301,541	\$ 0	\$ 0
Total Annual Cost	\$ 99,443,941	\$ 833,000	\$ 49,956

Buck Consultants estimates that this Section will increase the unfunded liability of TSERS by roughly \$667 million. The TSERS liability was 96% funded at the end of 2014. The additional unfunded liability is projected to be paid off over 12 years by the increased contributions shown above.

Hartman & Associates, the actuary for the General Assembly, estimates that the provisions of this bill will have an annual cost in FY 2016-17 and subsequent years as follows:

	<u>TSERS</u>	<u>CJRS</u>	<u>LRS</u>
Percent of Payroll	0.66%	1.17%	1.33%
General Fund	\$ 65,109,000	\$ 819,000	\$ 48,146
Highway Fund	\$ 1,999,800	\$ 0	\$ 0
Receipt Funds	\$ 29,410,319	\$ 0	\$ 0
Total Annual Cost	\$ 96,519,119	\$ 819,000	\$ 48,146

None of the systems have gains available to cover a portion of the cost of the COLA.

Section 36.22

Buck Consultants, the actuary for the Retirement System, estimates that the change to the TSERS retirement ages will result in an increase in the annual required contribution of 0.02% of payroll, or \$2.0 million from the General Fund. Buck estimates an increase in the SIBP liability of \$0.2 million, which would not eliminate the surplus in the SIBP. Buck also estimated negligible decreases in the contributions and/or liability for the Disability Income Plan and Death Benefit Plan due to the expected change in retirement patterns.

Hartman & Associates, the actuary for the General Assembly, estimates that the change to the TSERS retirement ages will result in an increase in the actuarially determined contribution of 2.41% of the probation/parole officer payroll, or roughly \$1.7 million. Hartman & Associates estimates an increase in the SIBP liability of under \$0.2 million, which would not eliminate the surplus in the SIBP.

The actuaries estimated the following cash flow impact due to the additional separation allowances:

Year	Buck Consultants	Hartman & Associates
FY 2016-17	\$0	\$0
FY 2017-18	\$0	\$0
FY 2018-19	\$0	\$0
FY 2019-20	\$0	\$0
FY 2020-21	\$0	\$0
FY 2021-22	\$143,000	\$153,780
FY 2022-23	\$423,000	\$422,569
FY 2023-24	\$741,000	\$746,870
FY 2024-25	\$1,097,000	\$1,083,946
FY 2025-26	\$1,506,000	\$1,420,648

Both actuaries used data provided by the Department of Public Safety showing 1,812 active probation/parole officers with a total annual payroll of \$71 million as of May 2016.

Section 36.23

Buck Consultants, the actuary for the Retirement System, estimates that the change to QEBA eligibility will increase benefit payments by \$600,000 or less in each of the next 10 years, which is less than 0.01% of the projected active member payroll in each of those years.

Hartman & Associates, the actuary for the General Assembly, estimates that the change to QEBA eligibility will have no impact on the employer contribution rates to TSERS and LGERS.

Appropriations

The proposed legislation appropriates funds and sets contribution rates sufficient to cover the increased cost of these three sections and contribute the amount recommended by the actuary to properly fund existing benefits.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2014 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2014 unless otherwise noted, M = millions)				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>LRS</u>
Active Members				
Count	307,313	123,184	566	170
General Fund Compensation	\$9,865M		\$70M	\$4M
Valuation Compensation (Total)	\$13,737M	\$5,652M	\$71M	\$4M
Average Age	45	44	55	58
Average Service	10.7	10.3	13.0	6.4
Inactive Members				
Count	134,871	55,298	50	92
Retired Members				
Count	194,607	60,408	610	300
Annual Benefits	\$4,058M	\$1,109M	\$37M	\$2M
Average Age	70	68	72	77
New Retirees During 2015	11,400	4,100	50	10

Financial Statistics (as of 12/31/2014 unless otherwise noted, M = millions)				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>LRS</u>
Accrued Liability (AL)	\$67,715M	Not meaningful	\$567M	\$24M
Actuarial Value of Assets (AVA)	\$64,734M	\$22,682M	\$534M	\$29M
Market Value of Assets (MVA)	\$64,587M	\$22,745M	\$534M	\$29M
Unfunded Accrued Liability (AL - AVA)	\$2,981M	Not meaningful	\$33M	\$(5)M
Funded Status (AVA / AL)	96%	Not	94%	121%

		meaningful		
Actuarially Determined Contribution (ADC) for FY 2016-17 (as % of pay)	9.48% (new assumptions)	7.25% (non-LEO)	28.53%	17.05%
Assumed Rate of Investment Return	7.25%	7.25%	7.25%	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 6.86%	3.50% - 6.71%	3.50% - 5.50%	5.50%
Cost Method	Entry Age Normal	Frozen Entry Age	Entry Age Normal	Entry Age Normal
Amortization	12 year, closed, flat \$	Not applicable	12 year, closed, flat \$	12 year, closed, flat \$
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015				

Benefit Provisions				
	TSERS	LGERS	CJRS	LRS
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay	3.02% to 4.02% x Service x Final Pay	4.02% x Service x Highest Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5	50/24; 65/5	65/5
Employee contribution (as % of pay)	6%	6%	6%	7%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Cost of Living Adjustments for State, Local, Judicial and Legislative Retirement Systems", May 16, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "1% COLA for Retirees in the TSERS, LGERS, CJRS, and LRS Systems", May 16, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

Buck Consultants, "Probation/Parole Officers Retirement – Special Provision 2016-RET-H1", May 16, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "Special Provision 2016-RET-H1: Enhance the Benefits of Probation/Parole Officers Who Are Members of the TSERS", May 16, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

Buck Consultants, "Qualified Excess Benefit Arrangement Sunset Modification", July 13, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "Special Provision: Qualified Excess Benefit Arrangement Sunset Modification for Members of the TSERS and LGERS", July 13, 2015, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide



APPROVED BY:



Mark Trogdon, Director
Fiscal Research Division

DATE: May 17, 2016

Committee Sergeants at Arms

NAME OF COMMITTEE Pensions and Retirement

DATE: 5-18-2016

Room: 415

House Sgt-At Arms:

1. Name: Bill Bass
2. Name: Mark Cone
3. Name: Joe Crook
4. Name: Russell Salisbury
5. Name: _____

Senate Sgt-At Arms:

1. Name: _____
2. Name: _____
3. Name: _____
4. Name: _____
5. Name: _____



HOUSE PAGES

(Pensions & Retirement)

Week of May 16-19, 2016

Name:	County:	Sponsor:
BRYAN COOPER	PITT	REP. GREGORY MURPHY
HAILEY HUGHES	CRAVEN	SPEAKER TIM MOORE
JONATHON JOHNSON	CRAVEN	REP. MICHAEL SPECIALE



VISITOR REGISTRATION SHEET

House Committee on Pensions and Retirement

5-18-16

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Veronique L. Pope	Lenoir Memorial Hospice / NCLM
Elizabeth Shook	Madison County Health Dept.
Bonnie Tinsley	LMH Lenoir Mem. Hosp
Sarah Collins	NCLM
Sue Ann Torresi	NCTCW
Phelip Byrd	DPI
Sam Harris	NCDTSEA
Adam Prideman	NCLSA
John Sparrow	OSBM



VISITOR REGISTRATION SHEET

House Committee on Pensions and Retirement

5-18-16

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Chris Broughton	Mc Guire Woods
Brian Capps	Governor's Office
TRAKINS	LEADINAGE NC
R Rogers	HCRGFA
SOLARI	DST
Sarah Wellish	DST
Nathanael Brown	DST
Amanda Donovan	TSS
Flint Benson	SEANC



House Committee on Pensions and Retirement
Tuesday, May 24, 2016 at 10:00am
Room 415 LOB

MINUTES

The House Committee on Pensions and Retirement met on Tuesday, May 24, 2016 at 10:00 am in Room 415 of the Legislative Office Building. Representatives McNeill, Ross, Michaux, L. Bell, Bishop, Elmore, Gill, Holley, Hurley, Lambeth, Langdon, and Waddell attended.

Representative Allen McNeill presided and called the meeting to order at 10:02. He introduced the Sergeant at Arms staff. There were no pages present.

The first bill heard was **HB 1027-Study Unfunded Liability/Retiree Health Fund**. Chairman McNeill called on Representative Craig Horn to explain the bill. There was a short discussion from Representative Michaux and Representative Lambeth commented the bill was long overdue. Representative Michaux motioned for a favorable report. The motion passed.

Chairman McNeill recognized Representative R. Turner to explain **HB 960-Retirement Creditable Service Charter Schools**. This bill would modify the provisions for a member of TSERS to purchase credit for service in a charter school. There was some discussion on the bill and staff Tawanda Foster helped to answer questions. Representative Bishop then motioned for a favorable report. The motion passed.

Representative Conrad was recognized by Chairman McNeill to explain **HB 964-Commission Membership Winston- Salem Retirement Fund**. She explained that this was a local bill. There was no discussion and Representative L. Bell motioned for a favorable report. The motion passed.

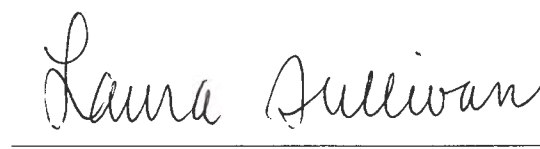
Chairman McNeill said that the amendment for **HB 1011-Retirement Technical Corrections Act of 2016.-AB** would be taken up before explanation of the bill. Representative Ross explained what the amendment was changing. There were no questions from the committee. The amendment passed as favorable.

Representative Ross then explained the bill. There was some discussion. Theresa Matula, staff, answered questions from Representative Michaux and Representative Hurley. Representative Waddell motioned for the amendment to be rolled into a PCS and the PCS be given a favorable report. The motion passed.

There being no further business, Chairman McNeill adjourned the meeting at 10:28am.

Respectfully submitted,


Representative Allen McNeill, Chair


Laura Sullivan, Committee Clerk



2016 House Committee on Pensions and Retirement

[illegible]



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Pensions and Retirement** will meet as follows:

DAY & DATE: Tuesday, May 24, 2016
TIME: 10:00 AM
LOCATION: 415 LOB
COMMENTS: Rep. McNeill will chair.

The following bills will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 960	Retirement Creditable Service Charter Schools.	Representative R. Turner
HB 964	Commission Membership Winston-Salem Ret. Fund.	Representative Conrad Representative Hanes Representative Lambeth Representative Terry
HB 1011	Retirement Technical Corrections Act of 2016.-AB	Representative Ross Representative McNeill Representative Hardister
HB 1027	Study Unfunded Liability/Retiree Health Fund.	Representative Horn

Respectfully,

Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 11:13 AM on Thursday, May 19, 2016.

____ Principal Clerk
____ Reading Clerk – House Chamber

Laura Sullivan (Committee Assistant)



House Committee on Pensions and Retirement
Tuesday, May 24, 2016, 10:00am
415 LOB

AGENDA

Welcome and Opening Remarks

Representative Allen McNeill, Chair

Introduction of Pages and Sergeant-At-Arms

Bills:

BILL NO.	SHORT TITLE	SPONSOR
HB 960	Retirement Creditable Service Charter Schools	Representative R. Turner
HB 964	Commission Membership Winston-Salem Ret. Fund	Representative Conrad Representative Hanes Representative Lambeth Representative Terry
HB 1011	Retirement Technical Corrections Act of 2016.-AB	Representative Ross Representative McNeill Representative Hardister
HB 1027	Study Unfunded Liability/Retiree Health Fund	Representative Horn

Adjournment



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 1027*

Short Title: Study Unfunded Liability/Retiree Health Fund. (Public)

Sponsors: Representative Horn.

For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Pensions and Retirement

May 4, 2016

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A JOINT COMMITTEE TO STUDY THE UNFUNDED LIABILITY
OF THE RETIREE HEALTH BENEFIT FUND, AS RECOMMENDED BY THE JOINT
LEGISLATIVE PROGRAM EVALUATION OVERSIGHT COMMITTEE.

The General Assembly of North Carolina enacts:

SECTION 1.(a) There is established the Joint Legislative Committee on the
Unfunded Liability of the Retiree Health Benefit Fund. The Committee shall consist of 13
members as follows:

- (1) Five members of the Senate appointed upon the recommendation of the
President Pro Tempore of the Senate, with one of those members serving as a
cochair.
- (2) Five members of the House of Representatives appointed upon the
recommendation of the Speaker of the House of Representatives, with one of
those members serving as a cochair.
- (3) The State Treasurer, or the State Treasurer's designee, serving ex officio as a
nonvoting member.
- (4) The Executive Administrator of the State Health Plan, serving ex officio as a
nonvoting member.
- (5) A representative of the Board of Trustees of the State Health Plan for Teachers
and State Employees selected by the Board, serving ex officio as a nonvoting
member.

Vacancies on the Committee shall be filled by the same appointing authority making
the initial appointment.

The Committee, while in the discharge of its official duties, may exercise all powers
provided for under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4. The Committee may
meet at any time upon the joint call of the cochairs. The Committee may meet in the Legislative
Building or the Legislative Office Building. The Committee may contract for professional,
clerical, or consultant services as provided by G.S. 120-32.02.

The Legislative Services Commission, through the Legislative Services Officer, shall
assign professional staff to assist the Committee in its work. The House of Representatives and the
Senate's Directors of Legislative Assistants shall assign clerical staff to the Committee and the
expenses relating to the clerical employees shall be borne by the Committee. Members of the
Committee shall receive subsistence and travel expenses at the rates set forth in G.S. 120-3.1,
138-5, or 138-6, as appropriate.



* H 1 0 2 7 - V - 1 *



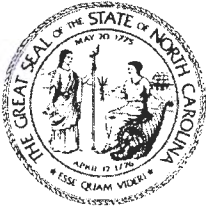
1 **SECTION 1.(b)** The Joint Legislative Committee on the Unfunded Liability of the
2 Retiree Health Benefit Fund shall examine the following options for reducing the unfunded
3 liability of the Fund:

- 4 (1) Increasing the assets in the Retiree Health Benefit Fund through appropriation
5 by the General Assembly.
- 6 (2) Increasing the costs of retiree benefits borne by the federal government, by
7 means such as the automatic enrollment of Medicare-eligible retirees in
8 Medicare Advantage or the offering of financial incentives to early retirees to
9 obtain insurance through the health insurance exchange created under the
10 Affordable Care Act.
- 11 (3) Reducing the State's future liability by transitioning the State's retiree health
12 benefit from a defined benefit approach to a defined contribution model.
- 13 (4) Reducing the number of persons eligible for retiree benefits by increasing the
14 service time requirements for the benefit or by eliminating the benefit for
15 certain groups.
- 16 (5) Requiring employees to contribute to the Retiree Health Benefit Fund, as they
17 do to the Teachers' and State Employees' Retirement System.
- 18 (6) Increasing the amount that retirees pay for their health benefits by means such
19 as increasing premiums or out-of-pocket costs.
- 20 (7) Any other proposals for reducing the unfunded liability of the Fund identified
21 by the Committee.

22 **SECTION 1.(c)** The Joint Legislative Committee on the Unfunded Liability of the
23 Retiree Health Benefit Fund shall issue a final report of its findings and recommendations,
24 including any legislation necessary to implement those recommendations, to the 2017 Regular
25 Session of the General Assembly upon its convening. The Committee shall terminate upon filing
26 its final report or upon the convening of the 2017 General Assembly, whichever is earlier.

27 **SECTION 2.** This act is effective when it becomes law.





HOUSE BILL 1027: Study Unfunded Liability/Retiree Health Fund.

2016-2017 General Assembly

Committee: House Pensions and Retirement
Introduced by: Rep. Horn
Analysis of: First Edition

Date: May 24, 2016
Prepared by: Tawanda N Foster
Committee Co-Counsel

SUMMARY: *House Bill 1027 would establish a Joint Committee to Study the Unfunded Liability of the Retiree Health Benefit Fund.*

[As introduced, this bill was identical to S808, as introduced by Sens. Hartsell, Foushee, Krawiec, which is currently in Senate Rules and Operations of the Senate.]

BILL ANALYSIS: The bill establishes a Joint Committee to Study the Unfunded Liability of the Retiree Health Benefit Fund, as recommended by the Joint Legislative Program Evaluation Oversight Committee. The Committee will consist of 13 members and vacancies will be filled by the same appointing authority making the initial appointment. The Committee will examine the following options for reducing the unfunded liability of the Fund.

- (1) Increasing the assets in the Fund through appropriation by the General Assembly.
- (2) Increasing the costs of retiree benefits borne by the federal government
- (3) Reducing the State's future liability by transitioning the State's retiree health benefit to a defined contribution model.
- (4) Reducing the number of persons eligible for retiree benefits by increasing the service time requirements for the benefit or by eliminating the benefit for certain groups.
- (5) Requiring employees to contribute to the Retiree Health Benefit Fund.
- (6) Increasing the amount that retirees pay for their health benefits by means such as increasing premiums or out of pocket costs.
- (7) Any other proposals for reducing the unfunded liability of the Fund identified by the Committee.

The Committee shall issue a final report of its findings and recommendations, including any legislation necessary to implement those recommendations to the 2017 Session of the General Assembly.

EFFECTIVE DATE: The bill would become effective when it becomes law.

ren Cochrane-Brown
Director



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Legislative Analysis
Division
919-733-2578



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 960

Short Title: Retirement Creditable Service Charter Schools.

(Public)

Sponsors: Representative R. Turner.

For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Pensions and Retirement

April 26, 2016

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE ABILITY OF A MEMBER OF THE TEACHERS' AND STATE
EMPLOYEES' RETIREMENT SYSTEM TO PURCHASE CREDIT FOR EMPLOYMENT
IN A CHARTER SCHOOL OPERATED BY A PRIVATE NONPROFIT CORPORATION.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-4(cc) reads as rewritten:

"(cc) Credit for Employment in Charter School Operated by a Private Nonprofit Corporation. – Any member may purchase creditable service for any employment as an employee of a charter school operated by a private nonprofit corporation whose board of directors did not elect to participate in the Retirement System under G.S. 135-5.3 upon completion of five years of membership service ~~after that charter school employment~~ by making a lump-sum payment into the Annuity Savings Fund. The payment by the member shall be equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the Retirement System's liabilities, taking into account the additional retirement allowance arising on account of the additional service credits commencing at the earliest age at which the member could retire with an unreduced retirement allowance, as determined by the Board of Trustees upon the advice of the actuary plus an administrative expense fee to be determined by the Board of Trustees. Creditable service purchased under this subsection shall not exceed a total of five years. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual postretirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance."

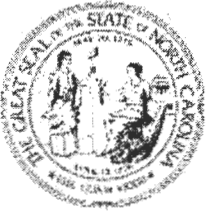
SECTION 2. G.S. 135-8(b)(5)d. is repealed.

SECTION 3. This act is effective when it becomes law.



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HOUSE BILL 960: Retirement Creditable Service Charter Schools.

2016-2017 General Assembly

Committee:	House Pensions and Retirement	Date:	May 23, 2016
Introduced by:	Rep. R. Turner	Prepared by:	Tawanda N Foster
Analysis of:	First Edition		Committee Co-Counsel

SUMMARY: *House Bill 960 would allow a member of the Teachers' and State Employees' Retirement System (TSERS) to purchase up to five years of creditable service for employment in a charter school operated by a private nonprofit corporation.*

CURRENT LAW: G.S. 135-4 provides the standards for the calculation of creditable service for use by the Teachers' and State Employees Retirement System. In particular, G.S. 135-4(cc) allows members of the retirement system to purchase creditable service for employment in a charter school operated by a private nonprofit corporation whose board of directors did not elect to participate in the retirement system under G.S. 135-5.3.¹ Currently, G.S. 135-4(cc) requires a member may purchase credit after five years of membership service after charter school employment and by paying a lump-sum to the Annuity Savings Fund. There is no limit to the amount of creditable service that may be purchased under this subsection.

G.S. 135-8(b) defines the annuity savings fund as a fund in which members' contributions from compensation are held to provide for their retirement annuities. Sub-subdivision 135-8(b)(5)d outlines situations when members employed in charter schools may make monthly contributions to the annuity savings fund.

BILL ANALYSIS: The bill allows members of TSERS to purchase credit after five years of membership service and payment of a lump-sum in the Annuity Savings Fund. Further, the bill provides no more than five years of creditable service may be purchased under this subsection.

The bill also repeals G.S. 135-8(b)(5)d.

EFFECTIVE DATE: The bill would be effective when it becomes law.

¹ G.S. 135-5.3 permits the board of directors of a charter school operated by a private nonprofit corporation to elect to become a participating employer in the Teachers' and State Employees Retirement System.

Karen Cochrane-Brown
Director



Legislative Analysis
Division
919-733-2578



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: House Bill 960 (First Edition)

SHORT TITLE: Retirement Creditable Service Charter Schools.

SPONSOR(S): Representative R. Turner

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS).

BILL SUMMARY: The bill amends G.S. 135-4(cc) to modify the provisions for a member of TSERS to purchase credit for service in a charter school. Currently a member may purchase credit for employment in a charter school upon completion of five years of service in TSERS after the charter school employment. The member must make a lump-sum payment equal to the full liability for the service purchased. The bill would remove the requirement that the five years of service in TSERS be completed after the charter school employment and would limit the amount of service to be purchased to five years.

The bill also repeals G.S. 135-8(b)(5)d. which allows a member to receive credit for service in a charter school by making monthly contributions during a leave of absence equal to the employee and employer contribution rates.

EFFECTIVE DATE: This bill is effective when it becomes law.

ESTIMATED IMPACT ON STATE: Both Buck Consultants, the System's Actuary, and Hartman & Associates, the actuary for the General Assembly, estimate that the bill will have no material impact on the contribution rates or liabilities of TSERS.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2014 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2014 unless otherwise noted, M = millions)	
Active Members	
Count	307,313
General Fund Compensation	\$9,865M
Valuation Compensation (Total)	\$13,737M
Average Age	45
Average Service	10.7



Inactive Members	
Count	134,871
Retired Members	
Count	194,607
Annual Benefits	\$4,058M
Average Age	70
New Retirees During 2015	11,400

Financial Statistics (as of 12/31/2014 unless otherwise noted, M = millions)	
Accrued Liability (AL)	\$67,715M
Actuarial Value of Assets (AVA)	\$64,734M
Market Value of Assets (MVA)	\$64,587M
Unfunded Accrued Liability (AL - AVA)	\$2,981M
Funded Status (AVA / AL)	96%
Annual Required Contribution (ARC) for FY 2016-17 (as % of pay)	9.48% (new assumptions)
Assumed Rate of Investment Return	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 6.86%
Cost Method	Entry Age Normal
Amortization	12 year, closed, flat \$
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015	

Benefit Provisions	
Formula	1.82% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5
Employee contribution (as % of pay)	6%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Retirement Creditable Service Charter Schools – House Bill 960", May 11, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 960: An Act to Modify the Ability of a Member of the TSERS to Purchase Credit for Employment in a Charter School", May 3, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.



The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide

APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division

DATE: May 23, 2016



Signed Copy Located in the NCGA Principal Clerk's Offices



JANET COWELL
TREASURER

STEVE TOOLE
RETIREMENT SYSTEMS DIRECTOR

Retirement Creditable Service Charter Schools HB 960

The Department of State Treasurer aims to provide public employees and retirees, including teachers, police officers, firefighters, and public servants from all over the state with secure pensions and retirement. This legislative proposal incorporates provisions that will clarify interpretations of current law, conform to federal regulation and increase efficiency of administration of the retirement systems administered by the Department.

Statutes Affected: 135-4(cc); 135-8(b)(5)d.

Primary Sponsors: Turner

Cost: This bill does not materially increase or decrease the liabilities or costs of the Retirement Systems.

Type of Bill: Public Bill

SECTION ONE: Remove Restriction on Charter School Service Purchase

Amends G.S. 135-4(cc) and removes the requirement that employees who are purchasing creditable service in the Teachers' and State Employees' Retirement System (TSERS) for employment at a public charter school operated by a private nonprofit corporation must return to a traditional public school and the complete five years of membership service after the period of employment at the charter school that is being purchased. Under the revised law, the employee must still have completed at least five years of membership at some point before purchasing service. This section also restricts this purchase to a total of five years in order to make the state statute consistent with federal law for purchase of "nonqualified service credit" under Internal Revenue Code section 415(n)(3)(B).

SECTION TWO: Repeal Duplicative Unused Charter School Service Purchase Statute

Repeals G.S. 135-8(b)(5)d. which is a provision that allows members whose TSERS membership is interrupted by an approved leave of absence for employment in a charter school to purchase service for that time by paying all employee and employer contributions based on compensation earned immediately prior to service interruption. The Department of State Treasurer requests that this statute be repealed because it is unclear exactly how the law was intended to function, is duplicative of the service purchase provision in section one, has never been used by the Retirement Systems Division, and appears to be in conflict with Internal Revenue Code section 415(n)(3)(B).



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 964*

Short Title: Commission Membership Winston-Salem Ret. Fund. (Local)

Sponsors: Representatives Conrad, Hanes, Lambeth, and Terry (Primary Sponsors).

For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Local Government, if favorable, Pensions and Retirement

April 27, 2016

A BILL TO BE ENTITLED

AN ACT TO ENHANCE THE PARTICIPATION OF RETIREE MEMBERS ON THE
RETIREMENT COMMISSION OF THE WINSTON-SALEM EMPLOYEES RETIREMENT
FUND.

The General Assembly of North Carolina enacts:

SECTION 1. Section 4 of Chapter 296 of the Public-Local Laws of 1939, as amended, reads as rewritten:

"**Sec. 4.** That the contributions required to cover the cost of benefits based on prior service shall be sufficient to fund the liability for sure prior service in not more than forty years from the date of the establishment of such fund. The ordinance shall provide that the required contributions by such members as hereinbefore mentioned shall be collected by deducting the amounts so required from the salary or wages due such members. The ordinance may provide for the appointment or election of a retirement board or board of trustees, and for the delegation to such board of such powers and duties as may be deemed necessary to carry out the intent and purpose for which said fund is established. If such retirement board or board of trustees is provided for by ordinance, the said board shall consist of a member or members of the governing body of the City of Winston-Salem, an employee or employees entitled to participate in said fund, a retiree or retirees participating in said fund, and one or more citizens of the State of North Carolina not officially connected with the governing body of any municipality or entitled to participate in the benefits of said fund."

SECTION 2. This act is effective when it becomes law.







HOUSE BILL 964: Commission Membership Winston-Salem Ret. Fund.

2016-2017 General Assembly

Committee:	House Pensions and Retirement	Date:	May 23, 2016
Introduced by:	Reps. Conrad, Hanes, Lambeth, Terry	Prepared by:	Theresa Matula
Analysis of:	First Edition		Committee Staff

SUMMARY: *House Bill 964 is a local bill adding a retiree, or retirees, participating in the fund to the list of members serving on the Winston Salem retirement board or board of trustees.*

[As introduced, this bill was identical to S751, as introduced by Sens. Lowe, Krawiec, which is currently in Senate Pensions & Retirement and Aging.]

CURRENT LAW:

Chapter 296, Section 4, of the Public-Local Laws of 1939, allows the City of Winston-Salem to pass an ordinance establishing a retirement or pension fund, which may provide for the appointment or election of a retirement board or board of trustees. Currently, the board is required to consist of at least one of the following:

- Member(s) of the governing body of the City of Winston-Salem
- Employee(s) entitled to participate in the retirement or pension fund
- Citizen(s) of the State of North Carolina not officially connected with the governing body of any municipality or entitled to participate in the benefits of the retirement or pension fund

BILL ANALYSIS:

House Bill 964 is a local bill impacting the membership of the Winston-Salem retirement board. The bill authorizes an increase in the board membership to include one or more retirees participating in the retirement fund. These retiree members are in addition to the list of members outlined above in the current law.

EFFECTIVE DATE:

This bill becomes effective when it becomes law.

**Gus Willis, staff to the House Local Government Committee, substantially contributed to this summary.*

Karen Cochrane-Brown
Director



Legislative Analysis
Division
919-733-2578



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 1011

Short Title: Retirement Technical Corrections Act of 2016.-AB

(Public)

Sponsors: Representatives Ross, McNeill, and Hardister (Primary Sponsors).

For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Pensions and Retirement

May 2, 2016

A BILL TO BE ENTITLED

AN ACT TO ENACT THE RETIREMENT TECHNICAL CORRECTIONS ACT OF 2016.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-86-45 reads as rewritten:

"§ 58-86-45. Additional retroactive membership.

(a) Repealed by Session Laws 2013-284, s. 1(a), effective July 1, 2013.

(a1) Any firefighter or rescue squad worker who is 35 years of age or older and who is a current or former member of a fire department or rescue squad chartered by the State of North Carolina may purchase credit for any periods of service to any chartered fire department or rescue squad not otherwise creditable by making a lump sum payment to the Annuity Savings Fund equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the system's liabilities, which payment shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on a retirement allowance, as determined by the board of trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the board of trustees. This provision for the payment of a lump sum for service "not otherwise creditable" shall apply, inter alia, to all purchases of service credits for months as to which timely payments were not previously made pursuant to G.S. 58-86-35 or G.S. 58-86-40, whichever is applicable.

(b) An eligible firefighter or rescue squad worker who is not yet 35 years old may apply to the board of trustees for membership in the fund at any time. Upon becoming a member, the worker may make a lump sum payment of ten dollars (\$10.00) per month retroactively to the time the worker first became eligible to become a member, plus interest at an annual rate to be set by the board upon advice from actuary for each year of retroactive payments. Upon making this lump sum payment, the worker shall be given credit for all prior service in the same manner as if the worker had applied for membership upon first becoming eligible.

(c) A member of the Pension Fund who is not yet 35 years old may receive credit for the prior service upon making a lump sum payment of ten dollars (\$10.00) for each month since the worker first became eligible, plus interest at an annual rate to be set by the board for each year of retroactive payments. Upon making this lump sum payment, the date of membership shall be the same as if the worker had applied for membership upon first becoming eligible. This provision for the payment of a lump sum for service "not otherwise creditable" shall apply, inter alia, to all purchases of service credits for months as to which timely payments were not previously made pursuant to G.S. 58-86-35 or G.S. 58-86-40, whichever is applicable, for any firefighter or rescue



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squad worker who is not yet 35 years of age or older and who is a current or former member of a fire department or rescue squad chartered by the State of North Carolina."

SECTION 2. G.S. 128-25 is repealed.

SECTION 3. G.S. 128-26(a1) reads as rewritten:

"(a1) With respect to a member retiring on or after July 1, 1967, the governing board of a participating unit may allow credit for any period of military service in the Armed Forces of the United States if the person returned to the service of the person's employer within two years after having been ~~honorably~~not dishonorably discharged, or becoming entitled to be discharged, released, or separated from such the Armed Forces of the United States; provided that, notwithstanding the above provisions, any member having credit for not less than 10 years of otherwise creditable service may be allowed credit for such military services which are not creditable in any other governmental retirement system; provided further, that a member will receive credit for military service under the provisions of this paragraph only if the member submits satisfactory evidence of the military service claimed and the participating unit of which the member is an employee agrees to grant credit for such military service prior to January 1, 1972.

A member retiring on or after July 1, 1971, who is not granted credit for military service under the provisions of the preceding paragraph will be allowed credit for any period of qualifying service in the Armed Forces of the United States, as defined for purposes of reemployment rights under federal law, provided that the member was an employee as defined in G.S. 128-21(10) at the time the member entered military service, and either (i) the returning member is in service, with the employer by whom the member was employed when the member entered military service, for a period of not less than 10 years after the member is separated or released from that military service under other than dishonorable conditions or (ii) the following conditions are met, in the conjunctive:

- (1) The member did not, prior to leaving for military service, provide clear written notice of an intent not to return to work after military service.
- (2) The member was discharged from uniformed service and returned from the leave of absence for uniformed service to membership service in this system within the time limit mandated by federal law for reporting back to work.
- (3) The period of uniformed service, for which additional service credit is sought, has been verified by suitable documentation and is not eligible for receipt of benefits under any other retirement system or pension plan.
- (4) All service credit forfeited by a refund pursuant to the provisions of G.S. 128-27(f) has been purchased.

The uniformed service credit allowed under this subsection shall be limited to a maximum of five years unless otherwise specifically exempted from that durational limitation by federal law. The salary or compensation of such an employee during the period of qualifying military service shall be deemed to be that salary or compensation the employee would have received but for the period of service had the employee remained continuously employed, if the determination of that salary or compensation is reasonably certain. If the determination of the salary or compensation is not reasonably certain, then it shall be deemed to be that employee's average rate of compensation during the 12-month period immediately preceding the period of service.

Pursuant to 38 U.S.C. § 4318(b)(1), when a member who has been on military leave returns to work consistent with the provisions of this subsection concerning return to service within two years after the member's earliest eligibility for separation or release from military service, then the member's employer must remit to the System all the employer and employee contributions for the full period of that member's military service."

SECTION 4.(a) G.S. 135-5(g) reads as rewritten:

"(g) Election of Optional Allowance. – With the provision that until the first payment on account of any benefit becomes normally due, or ~~his~~the member's first retirement check has been



1 cashed, any member may elect to receive his or her benefits in a retirement allowance payable
2 throughout life, or ~~he~~the member may elect to receive the actuarial equivalent of such retirement
3 allowance, including any special retirement allowance, in a reduced allowance payable throughout
4 life under the provisions of one of the options set forth below. The election of Option 2, 3, or 6 or
5 nomination of the person thereunder shall be revoked if such person nominated dies prior to the
6 date the first payment becomes normally due or until the first retirement check has been cashed.
7 Such election may be revoked by the member prior to the date the first payment becomes normally
8 due or until ~~his~~the member's first retirement check has been cashed. Provided, however, in the
9 event a member has elected Option 2, 3, or 5 and nominated his or her spouse to receive a
10 retirement allowance upon the member's death, and the spouse predeceases the member after the
11 first payment becomes normally due or the first retirement check has been cashed, if the member
12 remarries he or she may request to nominate a new spouse to receive the retirement allowance
13 under the previously elected option, within 90 days of the remarriage, and may nominate a new
14 spouse to receive the retirement allowance under the previously elected option by written
15 designation duly acknowledged and filed with the Board of Trustees within 120 days of the
16 remarriage. The new nomination shall be effective on the first day of the month in which it is
17 made and shall provide for a retirement allowance computed to be the actuarial equivalent of the
18 retirement allowance in effect immediately prior to the effective date of the new nomination. Any
19 member having elected Option 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement
20 allowance upon the member's death may, after divorce from his or her spouse, revoke the
21 nomination and elect a new option, effective on the first day of the month in which the new option
22 is elected, providing for a retirement allowance computed to be the actuarial equivalent of the
23 retirement allowance in effect immediately prior to the effective date of the new option. Except as
24 provided in this section, the member may not change the member's retirement benefit option or the
25 member's designated beneficiary for survivor benefits, if any, after the member has cashed the first
26 retirement check or after the 25th day of the month following the month in which the first check is
27 mailed, whichever comes first.

28 ...

29 Upon the death of a member after the effective date of a retirement for which the member has
30 been approved and following receipt by the Board of Trustees of an election of benefits (Form 6-E
31 or Form 7-E) but prior to the cashing of the first benefit check, the retirement benefit shall be
32 payable as provided by the member's election of benefits under this subsection.

33 Upon the death of a member after the effective date of a retirement for which the member has
34 been approved but prior to the receipt by the Board of Trustees of an election of benefits (Form
35 6-E or Form 7-E), properly acknowledged and filed by the member, the member's designated
36 beneficiary for a return of accumulated contributions may elect to receive the benefit, if only one
37 beneficiary is eligible to receive the return of accumulated contributions. If more than one
38 beneficiary is eligible to receive the return of accumulated contributions, or if no beneficiary has
39 been designated, the administrator or executor of the member's estate will select an option and
40 name the beneficiary or beneficiaries."

41 **SECTION 4.(b)** G.S. 128-27(g) reads as rewritten:

42 "(g) Election of Optional Allowance. – With the provision that until the first payment on
43 account of any benefit becomes normally due, or ~~his~~the member's first retirement check has been
44 cashed, any member may elect to receive his or her benefits in a retirement allowance payable
45 throughout life, or ~~he~~the member may elect to receive the actuarial equivalent of such retirement
46 allowance, including any special retirement allowance, in a reduced allowance payable throughout
47 life under the provisions of one of the Options set forth below. The election of Option 2, 3, or 6 or
48 nomination of the person thereunder shall be revoked if such person nominated dies prior to the
49 date the first payment becomes normally due or the first retirement check has been cashed. Such
50 election may be revoked by the member prior to the date the first payment becomes normally due
51 or ~~his~~the member's first retirement check has been cashed. Provided, however, in the event a



1 member has elected Option 2, 3, or 5 and nominated his or her spouse to receive a retirement
2 allowance upon the member's death, and the spouse predeceases the member after the first
3 payment becomes normally due or the first retirement check has been cashed, if the member
4 remarries he or she may request to nominate a new spouse to receive the retirement allowance
5 under the previously elected option, within 90 days of the remarriage, and may nominate a new
6 spouse to receive the retirement allowance under the previously elected option by written
7 designation duly acknowledged and filed with the Board of Trustees within 120 days of the
8 remarriage. The new nomination shall be effective on the first day of the month in which it is
9 made and shall provide for a retirement allowance computed to be the actuarial equivalent of the
10 retirement allowance in effect immediately prior to the effective date of the new nomination. Any
11 member having elected Option 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement
12 allowance upon the member's death may, after divorce from his or her spouse, revoke the
13 nomination and elect a new option, effective on the first day of the month in which the new option
14 is elected, providing for a retirement allowance computed to be the actuarial equivalent of the
15 retirement allowance in effect immediately prior to the effective date of the new option. Except as
16 provided in this section, the member may not change the member's retirement benefit option or the
17 member's designated beneficiary for survivor benefits, if any, after the member has cashed the first
18 retirement check or after the 25th day of the month following the month in which the first check is
19 mailed, whichever comes first.

20 ...

21 Upon the death of a member after the effective date of a retirement for which the member has
22 been approved and following receipt by the Board of Trustees of an election of benefits (Form 6-E
23 or Form 7-E) but prior to the cashing of the first benefit check, the retirement benefit shall be
24 payable as provided by the member's election of benefits under this subsection.

25 Upon the death of a member after the effective date of a retirement for which the member has
26 been approved but prior to the receipt by the Board of Trustees of an election of benefits (Form
27 6-E or Form 7-E), properly acknowledged and filed by the member, the member's designated
28 beneficiary for a return of accumulated contributions may elect to receive the benefit, if only one
29 beneficiary is eligible to receive the return of accumulated contributions. If more than one
30 beneficiary is eligible to receive the return of accumulated contributions, or if no beneficiary has
31 been designated, the administrator or executor of the member's estate will select an option and
32 name the beneficiary or beneficiaries."

33 **SECTION 5.(a)** G.S. 135-5(m2) reads as rewritten:

34 "(m2) Special Retirement Allowance. – At any time coincident with or following retirement,
35 a member may make a ~~one-time~~one-time, irrevocable election to transfer any portion of the
36 member's eligible accumulated contributions, not including any Roth after-tax contributions and
37 the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the
38 North Carolina Public Employee Deferred Compensation Plan to this Retirement System and
39 receive, in addition to the member's basic service, early or disability retirement allowance, a
40 special retirement allowance which shall be based upon the member's transferred balance.

41 A member who became a member of the Supplemental Retirement Income Plan prior to
42 retirement and who remains a member of the Supplemental Retirement Income Plan may make a
43 ~~one-time~~one-time, irrevocable election to transfer eligible balances, not including any Roth
44 after-tax contributions and the earnings thereon, from any of the following plans to the
45 Supplemental Retirement Income Plan, subject to the applicable requirements of the Supplemental
46 Retirement Income Plan, and then through the Supplemental Retirement Income Plan to this
47 Retirement System: (i) a plan participating in the North Carolina Public School Teachers' and
48 Professional Educators' Investment Plan; (ii) a plan described in section 403(b) of the Internal
49 Revenue Code; (iii) a plan described in section 457(b) of the Internal Revenue Code that is
50 maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or
51 political subdivision of a state; (iv) an individual retirement account or annuity described in



section 408(a) or section 408(b) of the Internal Revenue Code that is eligible to be rolled over and would otherwise be includible in gross income; or (v) a tax-qualified plan described in section 401(a) or section 403(a) of the Internal Revenue Code.

Notwithstanding anything to the contrary, a member may not transfer such amounts as will cause the member's retirement allowance under the System to exceed the amount allowable under G.S. 135-18.7(b). The Board of Trustees may establish a minimum amount that must be transferred if a transfer is elected. The member may elect a special retirement allowance with no postretirement increases or a special retirement allowance with annual postretirement increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement increases on any other allowance will not apply to the special retirement allowance. The Board of Trustees shall provide educational materials to the members who apply for the transfer authorized by this section. Those materials shall describe the special retirement allowance and shall explain the relationship between the transferred balance and the monthly benefit and how the member's heirs may be impacted by the election to make this transfer and any costs and fees involved.

For the purpose of determining the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality and such other tables as may be necessary based upon actual experience. A single set of mortality and such other tables will be used for all members, with factors differing only based on the age of the member and the election of postretirement increases. The Board of Trustees shall modify the mortality and such other tables every five years, as shall be deemed necessary, based upon the five-year experience study as required by G.S. 135-6(n). Provided, however, a member who transfers the member's eligible accumulated contributions from an eligible retirement plan pursuant to this subsection to this Retirement System shall be taxed for North Carolina State Income Tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the eligible plan or the plan through which the transfer was made, whichever is most favorable to the member. The Teachers' and State Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly.

The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess a one-time flat administrative fee not to exceed the actual cost of the administrative expenses relating to these transfers. An eligible plan shall not assess a fee specifically relating to a transfer of accumulated contributions authorized under this subsection. This provision shall not prohibit other fees that may be assessable under the plan. Each plan, contract, account, or annuity shall fully disclose to any member participating in a transfer under this subsection any surrender charges or other fees, and such disclosure shall be made contemporaneous with the initiation of the transfer by the member.

The special retirement allowance shall continue for the life of the member and the beneficiary designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as provided in G.S. 135-5(g), if any. The Board of Trustees, however, shall establish two payment options that guarantee payments as follows:

- (1) A member may elect to receive the special retirement allowance for life but with payments guaranteed for a number of months to be specified by the Board of Trustees. Under this plan, if the member dies before the expiration of the specified number of months, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's designated beneficiary will receive the benefit only for the remainder of the specified number of months. If the member's designated beneficiary dies before receiving payments for the specified number of months, any remaining payments will be paid to the member's estate.
- (2) A member may elect to receive the special retirement allowance for life but is guaranteed that the sum of the special allowance payments will equal the total



of the transferred amount. Under this payment option, if the member dies before receiving the total transferred amount, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's designated beneficiary or the member's estate shall be paid any remaining balance of the transferred amount.

The Board of Trustees shall report annually to the Joint Legislative Commission on Governmental Operations on the number of persons who made an election in the previous calendar year, with any recommendations it might make on amendment or repeal based on any identified problems.

The General Assembly reserves the right to repeal or amend this subsection, but such repeal or amendment shall not affect any person who has already made the one-time election provided in this subsection."

SECTION 5.(b) G.S. 128-27(m2) reads as rewritten:

"(m2) Special Retirement Allowance. – At any time coincident with or following retirement, a member may make a ~~one-time~~one-time, irrevocable election to transfer any portion of the member's eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to this Retirement System and receive, in addition to the member's basic service, early or disability retirement allowance, a special retirement allowance which shall be based upon the member's transferred balance.

A member who became a member of the Supplemental Retirement Income Plan prior to retirement and who remains a member of the Supplemental Retirement Income Plan may make a ~~one-time~~one-time, irrevocable election to transfer eligible balances, not including any Roth after-tax contributions and the earnings thereon, from any of the following plans to the Supplemental Retirement Income Plan, subject to the applicable requirements of the Supplemental Retirement Income Plan, and then through the Supplemental Retirement Income Plan to this Retirement System (i) a plan participating in the North Carolina Public School Teachers' and Professional Educators' Investment Plan; (ii) a plan described in section 403(b) of the Internal Revenue Code; (iii) a plan described in section 457(b) of the Internal Revenue Code that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; (iv) an individual retirement account or annuity described in section 408(a) or section 408(b) of the Internal Revenue Code that is eligible to be rolled over and would otherwise be includible in gross income; or (v) a tax-qualified plan described in section 401(a) or section 403(a) of the Internal Revenue Code.

Notwithstanding anything to the contrary, a member may not transfer such amounts as will cause the member's retirement allowance under the System to exceed the amount allowable under G.S. 128-38.2(b). The Board of Trustees may establish a minimum amount that must be transferred if a transfer is elected. The member may elect a special retirement allowance with no postretirement increases or a special retirement allowance with annual postretirement increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement increases on any other allowance will not apply to the special retirement allowance. The Board of Trustees shall provide educational materials to the members who apply for the transfer authorized by this section. Those materials shall describe the special retirement allowance and shall explain the relationship between the transferred balance and the monthly benefit and how the member's heirs may be impacted by the election to make this transfer and any costs and fees involved.

For the purpose of determining the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality and such other tables as may be necessary based upon actual experience. A single set of mortality and such other tables will be used for all members, with factors differing only based on the age of the member and the election of postretirement increases. The Board of Trustees shall modify the



mortality and such other tables every five years, as shall be deemed necessary, based upon the five-year experience study as required by G.S. 128-28(o). Provided, however, a member who transfers the member's eligible accumulated contributions from an eligible retirement plan pursuant to this subsection to this Retirement System shall be taxed for North Carolina State Income Tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the eligible plan or the plan through which the transfer was made, whichever is most favorable to the member. The Local Governmental Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly.

The special retirement allowance shall continue for the life of the member and the beneficiary designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as provided in G.S. 128-27(g), if any. The Board of Trustees, however, shall establish two payment options that guarantee payments as follows:

- (1) A member may elect to receive the special retirement allowance for life but with payments guaranteed for a number of months to be specified by the Board of Trustees. Under this plan, if the member dies before the expiration of the specified number of months, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's designated beneficiary will receive the benefit only for the remainder of the specified number of months. If the member's designated beneficiary dies before receiving payments for the specified number of months, any remaining payments will be paid to the member's estate.
- (2) A member may elect to receive the special retirement allowance for life but is guaranteed that the sum of the special allowance payments will equal the total of the transferred amount. Under this payment option, if the member dies before receiving the total transferred amount, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's designated beneficiary or the member's estate shall be paid any remaining balance of the transferred amount.

The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess a one-time flat administrative fee not to exceed the actual cost of the administrative expenses relating to these transfers. An eligible plan shall not assess a fee specifically relating to a transfer of accumulated contributions authorized under this subsection. This provision shall not prohibit other fees that may be assessable under the plan. Each plan, contract, account, or annuity shall fully disclose to any member participating in a transfer under this subsection any surrender charges or other fees, and that disclosure shall be made contemporaneous with the initiation of the transfer by the member.

The Board of Trustees shall report annually to the Joint Legislative Commission on Governmental Operations on the number of persons who made an election in the previous calendar year, with any recommendations it might make on amendment or repeal based on any identified problems.

The General Assembly reserves the right to repeal or amend this subsection, but such repeal or amendment shall not affect any person who has already made the one-time election provided in this subsection."

SECTION 6.(a) G.S. 135-8(b)(5) reads as rewritten:

- "(5) The Board of Trustees may approve the purchase of creditable service by any member for leaves of absence or for interrupted service to an employer only for the ~~sole~~ purpose of acquiring knowledge, talents, or abilities and to increase the efficiency of service to the employer, subject to the provisions of this



subdivision. A leave of absence or interrupted service may be approved for purchase under this subdivision for a period of employment as a teacher in a charter school. Any other leave of absence or interrupted service shall qualify for purchase under this subdivision only if (i) during the time of the leave or interrupted service the member is enrolled and participates in a full-time degree program at an accredited institution of higher education, (ii) the member is not paid for the activity in which he or she is acquiring knowledge, talents, or abilities, and (iii) the service is not purchased for any month in which the member performed any services for any of the organizations listed in G.S. 135-27(a) or G.S. 135-27(f), or a successor to any of those organizations. Approval by the Board under this subdivision shall be made prior to the purchase of the creditable service, is limited to a career total of six years for each member, and may be obtained in the following manner:

...."

SECTION 6.(b) G.S. 128-30(b)(4) reads as rewritten:

"(4) The Board of Trustees may approve the purchase of creditable service by any member for leaves of absence or for interrupted service to an employer ~~for the sole purpose~~ only for the purpose of acquiring knowledge, talents, or abilities and to increase the efficiency of service to the ~~employer.~~ approval employer, subject to the provisions of this subdivision. A leave of absence or interrupted service may be approved for purchase under this subdivision for a period of employment as a teacher in a charter school. Any other leave of absence or interrupted service shall qualify for purchase under this subdivision only if (i) during the time of the leave or interrupted service the member is enrolled and participates in a full-time degree program at an accredited institution of higher education, (ii) the member is not paid for the activity in which he or she is acquiring knowledge, talents, or abilities, and (iii) the service is not purchased for any month in which the member performed any services for any of the organizations listed in G.S. 135-27(a) or G.S. 135-27(f), or a successor to any of those organizations. Approval by the Board under this subdivision shall be made prior to the purchase of the creditable service, is limited to a career total of four years for each member, and may be obtained in the following manner:

...."

SECTION 7.(a) G.S. 135-8(f) reads as rewritten:

"(f) Collection of Contributions. –

...

(2) The collection of employers' contributions shall be made as follows:

...

f. Each employer shall transmit to the Retirement System on account of each member who retires on or after January 1, 2015, having earned his or her last month of membership service as an employee of that employer the lump sum payment, as calculated under ~~G.S. 135-4(jj),~~ G.S. 135-4(jj) for inclusion in the Pension Accumulation Fund, that would have been necessary in order for the retirement system to restore the member's retirement allowance to the pre-cap amount. Employers are not required to make contributions on account of any retiree who became a member on or after January 1, 2015, and who earned at least five years of membership service in the Retirement System after January 1, 2015.



Under such rules as the Board of Trustees shall adopt, the Retirement System shall report monthly to each employer a list of those members for whom the employer made a contribution to the Retirement System in the preceding month that are most likely to require an additional employer contribution should they elect to retire in the following 12 months, if applicable.

- (3) In the event the employee or employer contributions required under this section are not received by the date set by the Board of Trustees, the Board shall assess the employer with a penalty, in lieu of interest, and a one-time exception has not been agreed upon in advance due to exigent circumstances, of 1% per month with a minimum penalty of twenty-five dollars (\$25.00). The Board may waive one penalty per employer every five years if the Board finds that the employer has consistently demonstrated good-faith efforts to comply with the set deadline. If within 90 days after request therefor by the Board any employer shall not have provided the System with the records and other information required hereunder or if the full accrued amount of the contributions provided for under this section due from members employed by an employer or from an employer other than the State shall not have been received by the System from the chief fiscal officer of such employer within 30 days after the last due date as herein provided, then, notwithstanding anything herein or in the provisions of any other law to the contrary, upon notification by the Board to the State Treasurer as to the default of such employer as herein provided, any distributions which might otherwise be made to such employer from any funds of the State shall be withheld from such employer until notice from the Board to the State Treasurer that such employer is no longer in default.

...."

SECTION 7.(b) G.S. 128-30(g) reads as rewritten:

"(g) Collection of Contributions. –

...

- (2) The collections of employers' contributions shall be made as follows:

- a. Upon the basis of each actuarial valuation provided herein the Board of Trustees shall annually prepare and certify to each employer a statement of the total amount necessary for the ensuing fiscal year to the pension accumulation fund as provided under subsection (d) of this section. Such employer contributions shall be transmitted to the secretary-treasurer of the Board of Trustees together with the employee deductions as provided under sub-subdivision b. of subdivision (1) of this subsection.
- b. Each employer shall transmit to the Retirement System on account of each member who retires on or after January 1, 2015, having earned his or her last month of membership service as an employee of that employer the lump sum payment, as calculated under ~~G.S. 128-26(y)~~, G.S. 128-26(y) for inclusion in the Pension Accumulation Fund, that would have been necessary in order for the retirement system to restore the member's retirement allowance to the pre-cap amount. Employers are not required to make contributions on account of any retiree who became a member on or after January 1, 2015, and who earned at least five years of membership service in the Retirement System after January 1, 2015.

Under such rules as the Board of Trustees shall adopt, the Retirement System shall report monthly to each employer a list of those



members for whom the employer made a contribution to the Retirement System in the preceding month that are most likely to require an additional employer contribution should they elect to retire in the following 12 months, if applicable.

- (3) In the event the employee or employer contributions required under this section are not received by the date set by the Board of Trustees, the Board shall assess the employer with a penalty, in lieu of interest, and a one-time exception has not been agreed upon in advance due to exigent circumstances, of 1% per month with a minimum penalty of twenty-five dollars (\$25.00). The Board may waive one penalty per employer every five years if the Board finds that the employer has consistently demonstrated good-faith efforts to comply with the set deadline. If within 90 days after request therefor by the Board any employer shall not have provided the System with the records and other information required hereunder or if the full accrued amount of the contributions provided for under this section due from members employed by an employer or from an employer shall not have been received by the System from the chief fiscal officer of such employer within 30 days after the last due date as herein provided, then, notwithstanding anything herein or in the provisions of any other law to the contrary, upon notification by the Board to the State Treasurer as to the default of such employer as herein provided, any distributions which might otherwise be made to such employer, or the municipality or county of which such employer is an integral part, from any funds of the State or any funds collected by the State shall be withheld from such employer until notice from the Board to the State Treasurer that such employer is no longer in default.

In the event that an employer fails to submit payment of any required contributions or payments to the Retirement Systems Division, other than the one percent (1%) payment provided for in the first paragraph of this subdivision, within 90 days after the date set by the Board of Trustees, the Board shall notify the State Treasurer of its intent to collect the delinquent contributions and other payments due to the Retirement Systems Division and request an interception of State appropriations due to the participating employer. Upon such notification by the Board of Trustees to the State Treasurer and the Office of State Budget and Management as to the default of the employer, the Office of State Budget and Management shall withhold from any State appropriation due to that employer an amount equal to the sum of all delinquent contributions and other debts due to the Retirement Systems Division and shall transmit that amount to the Retirement Systems Division.

...."

SECTION 8. 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:

...

- c. Persons receiving a pension from the North Carolina ~~Firemen~~Firefighters' and Rescue Squad Workers' Pension Fund.

...."

SECTION 9.(a) G.S. 147-86.71(b)(3) reads as rewritten:

- "(3) Contributions to an account shall be made only in ~~cash~~U.S. Dollars."

SECTION 9.(b) G.S. 147-86.72(c)(3) reads as rewritten:



1 "(3) ~~Retain~~Notwithstanding the provisions of Article 3 of Chapter 143 of the
2 General Statutes, retain the services of auditors, attorneys, investment
3 counseling firms, custodians, or other persons or firms possessing specialized
4 skills or knowledge necessary for the proper administration of investment
5 programs that the Board administers pursuant to this Article."

6 **SECTION 9.(c)** G.S. 147-86.70(b)(4) is repealed.

7 **SECTION 9.(d)** G.S. 147-86.71(d)(4) is repealed.

8 **SECTION 10.** If any provision of this act or its application is held invalid, the
9 invalidity does not affect other provisions or applications of this act that can be given effect
10 without the invalid provisions or application, and to this end the provisions of this act are
11 severable.

12 **SECTION 11.** Sections 3 and 6 of this act become effective January 1, 2017. The
13 remainder of this act is effective when it becomes law.





HOUSE BILL 1011: Retirement Technical Corrections Act of 2016.

2016-2017 General Assembly

Committee: House Pensions and Retirement
Introduced by: Reps. Ross, McNeill, Hardister
Analysis of: First Edition

Date: May 23, 2016
Prepared by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 1101 is an agency bill that makes technical changes to the laws pertaining to the following: NC Firefighters and Rescue Squad Workers' Pension Fund; Local Governmental Employees' Retirement System (LGERS); Teachers' and State Employees' Retirement System (TSERS); State Health Plan; and the Achieving a Better Life Experience (ABLE) Program.*

BILL ANALYSIS:

Section 1 amends the NC Firefighters and Rescue Squad Workers' Pension Fund as it relates to retroactive membership and the purchase of periods of service. The Retirement Systems Division reports that the long-standing interpretation and administrative practice has been to encourage members to purchase service when they are younger than 35 years old. The amendments in this section clarify the cost calculation for a member 35 years of age or older and for a member who is not yet 35 years of age.

Section 2 repeals G.S. 128-25 pertaining to LGERS membership as it relates to employer participation. The statute is outdated and no longer needed due changes contained in S.L. 2015-168, Sections 5 and 6, pertaining to service and employer participation.

Section 3 amends G.S. 128-28(a1) to change "honorably discharged" to "not dishonorably discharged" in the LGERS statute. This is a technical change consistent with the Uniformed Services Employment and Reemployment Rights Act (USERRA) and with the US Code definition of a veteran as a person who served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable. Additionally, it clarifies that when a member who has been on military leave returns to work, the employer's payment to the System includes the employer and employee portions of the service purchase.

Section 4 (a) amends the TSERS statutes to make references gender neutral and to provide that if a member dies after filing an application for retirement, but prior to selecting payment options and selecting a beneficiary, the administrator or executor of the member's estate will select an option and name the beneficiary or beneficiaries. **Section 4(b)** makes similar changes in the LGERS statutes.

Section 5 (a) amends the TSERS special retirement allowance statutes to specify that the election to transfer any portion of the member's accumulated contributions from the Supplemental Retirement Income Plan or NC Public Employee Deferred Compensation Plan to the Retirement System is an irrevocable election. **Section 5(b)** makes a similar change to the LGERS statutes

Section 6(a) makes a technical amendment to G.S. 135-8(b)(5) pertaining to purchase of service for educational leave in the TSERS which was amended by S.L. 2015-241, Section 30.30. **Section 6(b)** amends G.S. 128-30(b)(4) to make changes similar to those in S.L. 2015-241 to the purchase of service for educational leave in LGERS.

Karen Cochrane-Brown
Director



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Section 7(a) amends language for the TSERS collection of contributions to make a gender neutral language change, clarify that funds collected under the anti-pension spiking contribution-based benefit cap will be included in the Pension Accumulation Fund, and to specify that in the event the employee or employer contributions required are not received by the date set by the Board of Trustees and provided that a one-time exception has not been agreed upon in advance due to exigent circumstances, the Board will assess the employer with a penalty, in lieu of interest, of 1% per month with a minimum penalty of twenty-five dollars (\$25.00). **Section 7(b)** makes similar changes to LGERS

Section 8 amends G.S. 135-48.40 (d)(13) pertaining to the State Health Plan to change "Firemen" to "Firefighters" to accurately reflect the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund.

Section 9 makes technical changes to the Achieving a Better Life Experience (ABLE) Program statutes enacted by S.L. 2015-203. **Section 9(a)** amends G.S. 147-86.71(b)(3) to change "cash" to "US Dollars" as it pertains to ABLE contributions. **Section 9(b)** amends G.S. 147-86.72(c)(3) to provide the ABLE Program Board of Trustees shall retain professional services notwithstanding the purchase and contract requirements contained in Chapter 143 of the General Statutes. **Section 9(c)** repeals G.S. 147-86.70(b)(4) to delete the definition of "Contracting state". **Section 9(d)** repeals G.S. 147-86.71(d)(4) which provided that an ABLE account may be established only for a designated beneficiary who is a resident of NC or a resident of a contracting state.

Section 10 provides a severability clause.

EFFECTIVE DATE:

Section 3 (pertaining to USERRA changes) and Section 5 (pertaining to the irrevocable transfer option) of the bill become effective January 1, 2017, the remainder of the bill becomes effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: House Bill 1011 (First Edition)

SHORT TITLE: Retirement Technical Corrections Act of 2016.-AB

SPONSOR(S): Representatives Ross, McNeill, and Hardister

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; local government funds.

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS), Local Governmental Employees' Retirement System (LGERS), and the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF).

BILL SUMMARY:

Section 1: Clarifies wording of the service purchase provision for FRSWPF for those not yet 35 years of age, consistent with current administrative practice.

Section 2: Repeals G.S. 128-25, which affected how local governments paid for past service when they first joined LGERS. Due to statute changes in 2015, past service can no longer be granted so this section is no longer needed.

Section 3: Conforms a service purchase statute in LGERS to federal law related to the treatment of active duty military service and clarifies that the employer's required payment includes the employer and employee portions of the service purchase.

Section 4: Provides that if a member dies after having filed an application for retirement, but before selecting payment options and selecting a beneficiary, the administrator or executor of the member's estate may select an option and name the beneficiary or beneficiaries. This change clarifies how to handle a situation not explicitly named in the current statute and is consistent with similar statutes.

Section 5: Clarifies long time interpretation and practice that choosing the "transfer benefit" is an irrevocable option, just like selecting any other benefit payment option.

Section 6: Corrects a typo in a change made to educational leave for TSERS in Session Law 2015-241 and makes a conforming change for LGERS, in order to simplify communication and administration of the two systems.

Section 7: Clarifies that funds collected under the anti-pension spiking contribution-based benefit cap will be included in the Pension Accumulation Fund, which is consistent with other required employer payments. Additionally, clarifies that to receive a one-time exception to payment of the

penalty for late payment of retirement contributions an agency must make arrangements in advance with the Retirement System.

Section 8: Corrects spelling of name of the FRSWPF in the State Health Plan statute.

Section 9: Makes technical changes to statutes governing the Achieving a Better Life Experience (ABLE) Program Trust, which is not a retirement system or pension fund and therefore not addressed in this note.

EFFECTIVE DATE: Sections 3 and 6 become effective January 1, 2017. The remainder of the bill becomes effective when it becomes law.

ESTIMATED IMPACT ON STATE: Both Buck Consultants, the System's Actuary, and Hartman & Associates, the actuary for the General Assembly, estimate that the bill will have no material impact on the contribution rates or liabilities of any of the systems affected.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2014 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2014 unless otherwise noted, M = millions)			
	<u>TSERS</u>	<u>LGERS</u>	<u>FRSWPF</u>
Active Members			
Count	307,313	123,184	43,134
General Fund Compensation	\$9,865M		
Valuation Compensation (Total)	\$13,737M	\$5,652M	Not applicable
Average Age	45	44	40
Average Service	10.7	10.3	11.7
Inactive Members			
Count	134,871	55,298	153
Retired Members			
Count	194,607	60,408	12,730
Annual Benefits	\$4,058M	\$1,109M	\$26M
Average Age	70	68	68
New Retirees During 2015	11,400	4,100	600

Financial Statistics (as of 12/31/2014 unless otherwise noted, M = millions)			
	<u>TSERS</u>	<u>LGERS</u>	<u>FRSWPF</u>
Accrued Liability (AL)	\$67,715M	Not meaningful	\$419M
Actuarial Value of Assets (AVA)	\$64,734M	\$22,682M	\$381M

Market Value of Assets (MVA)	\$64,587M	\$22,745M	\$383M
Unfunded Accrued Liability (AL - AVA)	\$2,981M	Not meaningful	\$38M
Funded Status (AVA / AL)	96%	Not meaningful	91%
Annual Required Contribution (ARC) for FY 2016-17 (as % of pay)	9.48% (new assumptions)	7.25% (non-LEO)	\$17.6M
Assumed Rate of Investment Return	7.25%	7.25%	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 6.86%	3.50% - 6.71%	Not applicable
Cost Method	Entry Age Normal	Frozen Entry Age	Entry Age Normal
Amortization	12 year, closed, flat \$	Not applicable	12 year, closed, flat \$
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015			

Benefit Provisions			
	TSERS	LGERS	FRSWPF
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay	\$170 per month
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5	55/20
Employee contribution (as % of pay)	6%	6%	\$10 per month

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Retirement Technical Corrections Act of 2016 – House Bill 1011", May 19, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 1011: An Act to Enact the Retirement Technical Corrections Act of 2016", May 4, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide

APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division

DATE: May 23, 2016



Signed Copy Located in the NCGA Principal Clerk's Offices

Technical Corrections Retirement System/Treasurer HB 1011

The Department of State Treasurer aims to provide public employees and retirees, including teachers, police officers, firefighters, and public servants from all over the state with secure pensions and retirement. This legislative proposal incorporates provisions that will clarify interpretations of current law, conform to federal regulation and increase efficiency of administration of the retirement systems administered by the Department.

Statutes Affected: 58-86-45; 128-25; 128-26(a1); 135-5(g); 128-27(g); 135-5(m2); 128-27(m2); 135-8(b)(5); 128-30(b)(4); 135-8(f); 128-30(g); 135-48.40(d)(13); 147-86.51(b)(3); 147-86.52(c)(3); 147-86.50(b)(4); 147-86.51(d)(4)

Primary Sponsors: Ross, McNeill, and Hardister

Co-Sponsors: Floyd, Gill, Hurley, Reives, R. Turner

Cost: This bill does not materially increase or decrease the liabilities or costs of the Retirement Systems.

Type of Bill: Public Agency Bill requested by the Department of State Treasurer

SECTION ONE: Clarify Service Purchase Provision for FRSWPF

Clarifies wording of the service purchase provision of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) with regard to which cost calculation to use, given the age of the member.

The long standing interpretation and administrative practice has been that the state policy set forth in the statute is to encourage members to purchase service when they are younger than 35 years old. To that end, the statute requires the Retirement System to charge members 35 or older more to purchase service. The change in this provision clarifies the wording of the statute regarding the availability of the lower cost calculation to existing, as well as new members of the fund.

SECTION TWO: Repeals Outdated Statute

Repeals a section of the Local Governmental Employees' Retirement System (LGERS) employer participation statutes that is no longer needed because Session Law 2015-168 amended G.S. 128-21 and G.S. 128-26(a) to disallow the granting of retirement service credits for years that employees worked at a local government agency before the agency joined LGERS. The statute being repealed provided an optional procedure for employers to pay for that service credit.

SECTION THREE: Uniformed Services Employment and Reemployment Rights Act (USERRA)

Conforms a service purchase statute in LGERS to federal law related to the treatment of active duty military service and clarifies that the employer's required payment includes the employer and employee portions of the service purchase. The Retirement System has handled these cases correctly under the federal law, but the LGERS statute has not been updated to reflect USERRA.

SECTION FOUR: Beneficiary Selection When Member Dies While Filing For Retirement

Provides that if a member dies after having filed an application for retirement, but before selecting payment options and selecting a beneficiary, the administrator or executor of the member's estate may select the an option and name the beneficiary or beneficiaries. This change clarifies how to handle a situation not explicitly named in the current statute and is consistent with similar statutes.

SECTION FIVE: Clarification of Transfer Benefit Irrevocability

Clarifies long time interpretation and practice that choosing “transfer benefit” is an irrevocable option, just like selecting any other benefit payment option.

SECTION SIX: Typo Correction & Conforming Change to Educational Leave

Corrects a typo in a change made to educational leave for the Teachers’ and State Employees’ Retirement System (TSERS) in Session Law 2015-241 and makes a conforming change to the Local Governmental Employees’ Retirement System (LGERS), in order to simplify communication and administration of the two systems.

SECTION SEVEN: Accounting Fund & Procedure for Penalty Assessment Clarification

Clarifies that funds collected under the anti-pension spiking contribution-based benefit cap will be included in the Pension Accumulation Fund, which is consistent with other required employer payments. Additionally, clarifies that to receive a one-time exception to payment of the penalty for late payment of retirement contributions an agency must make arrangements in advance with the Retirement System.

SECTION EIGHT: Typo Correction in Name of FRSWPF

Corrects spelling of name of the Firefighters’ and Rescue Squad Workers’ Pension Fund (FRSWPF) name in the State Health Plan statute.

SECTION NINE: ABLE Program Definition of “Cash”

Clarifies the definition of “cash” in the Achieving a Better Life Experience (ABLE) Program Trust legislation passed in 2015 means “U.S. Dollars.”

SECTION TEN: ABLE Procurement Exception

Clarifies that the ABLE procurement exception applies to all professional services needed to start up the program.

SECTION ELEVEN: Conforms State ABLE Act to new Federal Law #1 of 2

Conforms the state ABLE act passed in 2015 to changes made in the federal ABLE act by the U.S. Congress after the General Assembly adjourned. This change is necessary to ensure that residents from other states will not be prohibited from participating in the N.C ABLE program. This section repeals language that envisions a distinction between “contracting” and “contracting” states that is no longer needed because of the federal change.

SECTION TWELVE: Conforms State ABLE Act to new Federal Law #2 of 2

Similar to Section eleven, this provision conforms the state ABLE act passed in 2015 to changes made in the federal ABLE act by the U.S. Congress after the General Assembly adjourned. This change is also necessary to ensure that N.C. residents will not be prohibited from participating in the N.C ABLE program. This section repeals language that envisions a distinction between “contracting” and “contracting” states that is no longer needed because of the federal change.



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1011

AMENDMENT NO. 1
(to be filled in by
Principal Clerk)

H1011-ASH-20 [v.3]

Page 1 of 2

Amends Title [NO]
First Edition

Date May 24, 2016

Representative Ross

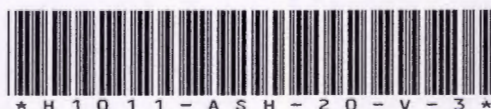
1 moves to amend the bill on page 7, line 48 through page 8, line 14, by rewriting the lines to read:

2
3 "(5) The Board of Trustees may approve the purchase of creditable service by any
4 member for leaves of absence or for interrupted service to an employer only for
5 the ~~sole purposes~~ purpose of acquiring knowledge, talents, or abilities and
6 ~~increasing to increase~~ the efficiency of service to the employer, subject to the
7 provisions of this subdivision. A leave of absence or interrupted service may be
8 approved for purchase under this subdivision for a period of employment as a
9 teacher in a charter school. Any other leave of absence or interrupted service
10 shall qualify for purchase under this subdivision only if (i) during the time of
11 the leave or interrupted service the member is enrolled and participates in a
12 full-time degree program at an accredited institution of higher education, (ii) the
13 member is not paid for the activity in which he or she is acquiring knowledge,
14 talents, or abilities, and (iii) the service is not purchased for any month in which
15 the member performed any services for any of the organizations listed in G.S.
16 135-27(a) or G.S. 135-27(f), or a successor to any of those organizations.
17 Approval by the Board under this subdivision shall be made prior to the
18 purchase of the creditable service, is limited to a career total of six years for
19 each member, and may be obtained in the following manner:
20",

21
22 and on page 9, lines 7-11, by rewriting the lines to read:

23
24 "(3) In the event the employee or employer contributions required under this section
25 are not received by the date set by the Board of ~~Trustees~~, Trustees and provided
26 that a one-time exception has not been agreed upon in advance due to exigent
27 circumstances, the Board shall assess the employer with a penalty, in lieu of
28 interest, of 1% per month with a minimum penalty of twenty-five dollars
29 (\$25.00). The Board may";

30
31 and to amend the bill on page 10, lines 5-9, by rewriting the lines to read:



* H 1 0 1 1 - A S H - 2 0 - V - 3 *

**NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1011**

H1011-ASH-20 [v.3]

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

Page 2 of 2

- 1 "(3) In the event the employee or employer contributions required under this section
2 are not received by the date set by the Board of ~~Trustees~~, Trustees and provided
3 that a one-time exception has not been agreed upon in advance due to exigent
4 circumstances, the Board shall assess the employer with a penalty, in lieu of
5 interest, of 1% per month with a minimum penalty of twenty-five dollars
6 (\$25.00). The Board may".
7

SIGNED _____

Amendment Sponsor

SIGNED _____

Committee Chair if Senate Committee Amendment

ADOPTED _____

FAILED _____

TABLED _____

**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

PENSIONS AND RETIREMENT COMMITTEE REPORT

**Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair**

FAVORABLE

HB 960	Retirement Creditable Service Charter Schools.
	Draft Number: None
	Serial Referral: None
	Recommended Referral: None
	Long Title Amended: No
	Floor Manager: R. Turner
HB 964	Commission Membership Winston-Salem Ret. Fund.
	Draft Number: None
	Serial Referral: None
	Recommended Referral: None
	Long Title Amended: No
	Floor Manager: Conrad
HB 1027	Study Unfunded Liability/Retiree Health Fund.
	Draft Number: None
	Serial Referral: None
	Recommended Referral: None
	Long Title Amended: No
	Floor Manager: Horn

FAVORABLE COM SUB , UNFAVORABLE ORIGINAL BILL

HB 1011	Retirement Technical Corrections Act of 2016.-AB
	Draft Number: H1011-PCS10540-SH-65
	Serial Referral: None
	Recommended Referral: None
	Long Title Amended: No
	Floor Manager: Ross

TOTAL REPORTED: 4



* C M R 6 3 9 - V - 1 *



Committee Sergeants at Arms

NAME OF COMMITTEE Pensions and Retirement

DATE: 5-24-2016 Room: 415

House Sgt-At Arms:

1. Name: Bill Bass
2. Name: Mark Cone
3. Name: Joe Crook
4. Name: Russell Salisbury
5. Name: _____

Senate Sgt-At Arms:

1. Name: _____
2. Name: _____
3. Name: _____
4. Name: _____
5. Name: _____



VISITOR REGISTRATION SHEET

House Pensions & Retirement

May 24, 2016

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Christine Wunsche
Ardis Watkins

SOG Daily Bulletin
SEANC



VISITOR REGISTRATION SHEET

House Pensions & Retirement

May 24, 2016

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Jeckeen Coover	NSS
Adam Piderman	NCAAA
Susan Harrison	NCSWA
Tom Friedman	NCSHP
Kathy King	BP
Evan Grimes	MWC
Phoebe Landon	mwc
Ruian Menwald	wm
Blair Borsuk	speaker whoore
Daniel Jordan	NCAFA
Caitlin Little	UNC SDG



VISITOR REGISTRATION SHEET

House Pensions & Retirement

May 24, 2016

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Margaret Duke	OSHR
Sarah Wolfe	MWK
R Rogers	NC RGP
MAM GRABOWSKI	STATE HEALTH PLAN
Courtney Lakamy	Randolph Cloud Assoc.
Jackson Stafford	SA
Andy Walsh	SA
JASON JOYNER	NEW FRAME
Flint Benson	SEANC
Christina Strickland	DST
Starnes	Treasurer
SOLARI	DST
WATTS	DST



House Committee on Pensions and Retirement
Tuesday, May 31, 2016 at 10:00 AM
Room 415 of the Legislative Office Building

MINUTES

The House Committee on Pensions and Retirement met at 10:00 AM on May 31, 2016 in Room 415 of the Legislative Office Building. Representatives L. Bell, Bishop, Elmore, Gill, Holley, Hurley, Lambeth, Langdon, McNeill, Michaux, Ross, and Waddell attended.

Representative Stephen Ross Chair, presided.


The following bills were considered:

Representative Meyers presented **HB 1135 Retirement Credits for Peace Corps Service**. Representative Michaux moved for a favorable report. The committee voted in favor of the motion and the HB 1135 passed.

Representative Ross **HB 1137 Treasurer's 2016 Investment Admin**. Representative Hurley proposed amendment HB1137-ATV-25 [V.2]. The amendment passed. Representative Elmore presented a second amendment which made a technical correction on page 16, line 25 of the bill. Representative Elmore's amendment passed. After some discussion, Representative Lambeth motioned for an unfavorable report to the original bill and a favorable report to the proposed committee substitute. The committee voted in favor of the motion and HB 1137 passed.

Representative McNeill presented **HB 1134 Admin. Changes Retirement System/Treasurer**. Representative Langdon motioned to have a proposed committee substitute. Representative Hurley proposed amendment HB1134-ASH-23[V.3] and the amendment passed. Representative Elmore proposed amendment HB1134-ASH-21[V.8] and HB1134-ASH-25[V.3]. After a lengthy discussion, Representative Elmore withdrew amendment HB1134-ASH-21[V.8]. The committee voted in favor of adding amendment HB1134-ASH-25[V.3], by show of hands 9-2. Representative Waddell motioned for an unfavorable report to the original bill, favorable to the proposed committee substitute, and recommended a referral to the House Committee on Appropriations. The committee voted in favor of the motion and HB 1134 passed.

The meeting adjourned at 11:30am.


Representative Stephen Ross Chair
Presiding


Laura Spratley, Committee Clerk



**House Committee on Pensions and Retirement
Tuesday, May 31, 2016, 10:00 AM
415 Legislative Office Building**

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
HB 1137	Treasurer's 2016 Investment Admin. Changes.-AB	Representative Ross Representative Lambeth Representative Adcock Representative Hamilton
HB 1135	Retirement Credits for Peace Corps Service.	Representative Meyer Representative Horn Representative G. Martin Representative Hardister
HB 1134	Admin. Changes Retirement System/Treasurer.	Representative McNeill Representative Ross

Presentations

Other Business

Adjournment



ATTENDANCE

2016 House Committee on Pensions and Retirement

(Name of Committee)

[illegible]



NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES

PENSIONS AND RETIREMENT COMMITTEE REPORT

Representative Allen McNeill, Co-Chair

Representative Stephen M. Ross, Co-Chair

FAVORABLE COM SUB , UNFAVORABLE ORIGINAL BILL AND RE-REFERRED

HB 1134

Admin. Changes Retirement System/Treasurer.

Draft Number: H1134-PCS40635-SH-66

Serial Referral: None

Recommended Referral: APPROPRIATIONS

Long Title Amended: No

Floor Manager: McNeill

TOTAL REPORTED: 1



* C M R 6 6 8 - V - 1 *



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

PENSIONS AND RETIREMENT COMMITTEE REPORT

Representative Allen McNeill, Co-Chair

Representative Stephen M. Ross, Co-Chair

FAVORABLE COM SUB , UNFAVORABLE ORIGINAL BILL

HB 1137

Treasurer's 2016 Investment Admin. Changes.-AB

Draft Number: H1137-PCS30507-TV-34

Serial Referral: None

Recommended Referral: None

Long Title Amended: No

Floor Manager: Ross

TOTAL REPORTED: 1



★ C M R 6 6 5 - V - 9 ★



2



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

PENSIONS AND RETIREMENT COMMITTEE REPORT

**Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair**

FAVORABLE

HB 1135

Retirement Credits for Peace Corps Service.

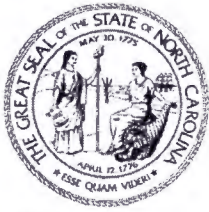
Draft Number:	None
Serial Referral:	None
Recommended Referral:	None
Long Title Amended:	No
Floor Manager:	Meyer

TOTAL REPORTED: 1



★ C M R 6 6 6 - V - 3 ★





HOUSE BILL 1135: Retirement Credits for Peace Corps Service.

2016-2017 General Assembly

Committee:	House Pensions and Retirement	Date:	May 27, 2016
Introduced by:	Reps. Meyer, Horn, G. Martin, Hardister	Prepared by:	Tawanda N. Foster
Analysis of:	First Edition		Committee Co-Counsel

SUMMARY: *House Bill 1135 would allow for the purchase of creditable service in the state retirement systems at full cost for Peace Corps volunteer service.*

CURRENT LAW: G.S. 135-4 provides the standards for the calculation of creditable service for use by the Teachers' and State Employees Retirement System. G.S. 128-26 provides the standards for allowances for service for retirement purposes for county, city, and town employees.

BILL ANALYSIS: The bill adds a new sub-section to allow teacher and state employee members of the retirement system who have served as Peace Corps volunteers to purchase up to five years of creditable service by making a lump sum payment to the Annuity Savings Fund. The member must have completed at least five years in the retirement system to qualify under this sub-section.

The bill also allows county, city, and town employee members of the retirement system who have served as Peace Corps volunteers to purchase up to five years of creditable service by making a lump sum payment to the Annuity Savings Fund. The member must have completed at least five years in the retirement system to qualify under this sub-section.

EFFECTIVE DATE: The bill would become effective July 1, 2016.

Karen Cochrane-Brown
Director



H 1 1 3 5 - S M T V - 7 5 E 1 - V - 1

Legislative Analysis
Division
919-733-2578



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 1135

Short Title: Retirement Credits for Peace Corps Service.

(Public)

Sponsors: Representatives Meyer, Horn, G. Martin, and Hardister (Primary Sponsors).

For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Pensions and Retirement

May 23, 2016

A BILL TO BE ENTITLED

AN ACT TO ALLOW FOR THE PURCHASE OF CREDITABLE SERVICE IN THE STATE
RETIREMENT SYSTEMS AT FULL COST FOR PEACE CORPS VOLUNTEER
SERVICE.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-4 is amended by adding a new subsection to read:

"(k1) Credit at Full Cost for Peace Corps Volunteer Service. – Notwithstanding any other provisions of this Chapter, a member, upon completion of five years of membership service, may purchase creditable service for periods of service as a Peace Corps volunteer or volunteer leader. The member shall purchase this service by making a lump sum amount payable to the Annuity Savings Fund equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the liabilities of the Retirement System; and the calculation of the amount payable shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on an unreduced retirement allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Creditable service purchased under this subsection shall not exceed a total of five years. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the terms "full cost," "full liability," and "full actuarial cost" include assumed annual post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance."

SECTION 2. G.S. 128-26 is amended by adding a new subsection to read:

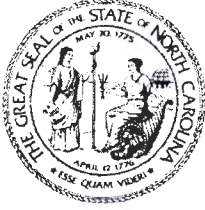
"(z) Credit at Full Cost for Peace Corps Volunteer Service. – Notwithstanding any other provisions of this Chapter, a member, upon completion of five years of membership service, may purchase creditable service for periods of service as a Peace Corps volunteer or volunteer leader. The member shall purchase this service by making a lump sum amount payable to the Annuity Savings Fund equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the liabilities of the Retirement System; and the calculation of the amount payable shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on an unreduced retirement allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Creditable service purchased under this subsection shall not exceed a total of five years. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the terms "full cost," "full liability," and "full actuarial cost" include



* H 1 1 3 5 - V - 1 *

1 assumed annual post-retirement allowance increases, as determined by the Board of Trustees, from
2 the earliest age at which a member could retire on an unreduced service allowance."

3 **SECTION 3.** This act becomes effective July 1, 2016.



HOUSE BILL 1137: Treasurer's 2016 Investment Admin. Changes..

2016-2017 General Assembly

Committee:	House Pensions and Retirement	Date:	May 27, 2016
Introduced by:	Reps. Ross, Lambeth, Adcock, Hamilton	Prepared by:	Tawanda N. Foster
Analysis of:	First Edition		Committee Co-Counsel

SUMMARY: *House Bill 1137 would enact the Treasurer's Investment and Administrative Changes Act. The bill modernizes and updates the statutes governing the Department of the State Treasurer's office hours and scope of authority for investment programs, codifies key departmental policies, and consolidates statutory reporting requirements.*

BILL ANALYSIS:

Section 1.1 excepts Saturdays and periods of travel from the State Treasurer are Office Hours, and makes technical changes.

Section 1.2 updates the list of federally-backed entities eligible for investment in the Treasurer's investment-grade fixed income portfolio. This section also clarifies the existing statute by adding references to the terminology of each rating service when discussing credit ratings.

Section 1.3 updates G.S. 147-69.2 to make technical corrections to the list of funds held by the State Treasurer. This section also standardizes the set of approved investment vehicle structures. The text added to subsection (b) specifies the percentage "caps" on each asset class are calculated according to the primary investment type or strategy utilized and makes clear that no investment counts in more than one asset class.

Section 1.4(a) clarifies a third-party professional investment management firm, registered with the U.S. Securities and Exchange Commission must be selected to administer a special fund to invest the assets described in G.S. 147-69.2(b)(12(c)).

Section 1.4(b) changes the Escheat fund from a valuation by an actuary to an assessment by a consultant.

Section 1.5 makes a technical correction to delete a reference to a facsimile signature machine.

Section 1.6 clarifies the State Treasurer must contractually establish the manner in which the master trust operates.

Section 2.1 clarifies the investment programs for assets held by the State Treasurer may be invested collectively or separately at the State Treasurer's discretion and consistent with their fiduciary duties.

This section requires when utilizing the State Treasurer's power to establish market-oriented compensation plans the authorization is limited and must be consistent with the State Treasurer's fiduciary duties. Also, this section makes technical and conforming changes.

Section 2.2 clarifies the State Treasurer's fiduciary duties extends to cover all special funds in the Treasurer's care, all funds managed by the Treasurer, and not only the Retirement Systems.

Karen Cochrane-Brown
Director



Legislative Analysis
Division
919-733-2578

House Bill 1137

Page 2

This section also clarifies the State Treasurer does not have a duty to provide advice to other governmental agencies when agencies exercise discretionary control over the assets they deposit.

Section 3 adds new sections to Article 6, Chapter 147 to do the following:

- Require financial statements, audited by a commercial independent third-party firm, for the Retirement Systems investment program be prepared annually.
- Make a conforming change to expand the scope of oversight by the Investment Advisory Committee to be consistent with the clarification of the scope of the fiduciary duty of the State Treasurer extending to all funds managed by the Treasurer.
- Allow the Investment Advisory Committee to provide consultation on the Investment Policy Statement, covering investment objectives and strategy, asset classes and allocations, and evaluation criteria on a biennial basis. The State Treasurer would also be required to have an independent expert firm evaluation in making recommendations on governance, operation, and investment practices of the department at least once every four years.
- Require the State Treasurer to adopt a code of ethics in consultation with the Investment Advisory Committee to ensure ethical management of the investment programs.

Section 4.1(a) adds a new section governing reporting requirements by the Department of the State Treasurer to the General Assembly, Legislative Committees, the Governor, Council of State, and the State Auditor. This new section consolidates all the existing statutorily mandated reporting requirements of the department into one section of the General Statutes.

Section 4.1(b) G.S. 147-68(d) is recodified in the new reporting section.

Section 4.1(c) repeals G.S. 147-69.1(e) now included in the new section on reporting requirements.

Section 4.1(d) repeals G.S. 147-687 (d1) now included in the new section on reporting requirements.

Section 4.2 makes technical and conforming changes to annual report requirements on new investment authority.

Section 4.3 makes conforming changes to organization and reporting requirements. Sections 4.1, 4.2, 4.3, and 4.4 become effective July 1, 2016 and apply to all reporting periods beginning on or after that date.

EFFECTIVE DATE: Except as otherwise provided, this bill would become effective January 31, 2017.



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1137

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H1137-ATV-25 [v.2]

Page 1 of 1

Amends Title [NO]
First Edition

Date _____, 2016

Representative _____

- 1 moves to amend the bill on page 10, line 1 by rewriting the line to read:
2 "invest assets described in G.S. 147-69.2(b)(12)c. and select investment opportunities appropriate
3 for"
4
5 And on page 17, line 27 by rewriting the line to read:
6 "**SECTION 4.4.** Sections 4.1, 4.2, 4.3, and 4.4 become effective July 1, 2016, and apply to all
7 reporting".
8
9

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____



* H 1 1 3 7 - A T V - 2 5 - V - 2 *



NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. 1137

DATE 5/31/16

S. B. No. _____

Amendment No. _____

(to be filled in by
Principal Clerk)

COMMITTEE SUBSTITUTE _____

Rep.

Sen.)

Elmore

1 moves to amend the bill on page 16, line 25

2 () WHICH CHANGES THE TITLE

3 by deleting the word "feeds" and substituting the word

4 "fees".

5 _____

6 _____

7 _____

8 _____

9 _____

10 _____

11 _____

12 _____

13 _____

14 _____

15 _____

16 _____

17 _____

18 _____

19 _____

SIGNED

[Signature]

ADOPTED _____ FAILED _____ TABLED _____

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 1137

Short Title: Treasurer's 2016 Investment Admin. Changes.-AB

(Public)

Sponsors: Representatives Ross, Lambeth, Adcock, and Hamilton (Primary Sponsors):

For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Pensions and Retirement

May 23, 2016

A BILL TO BE ENTITLED
AN ACT TO ENACT THE TREASURER'S 2016 INVESTMENT AND ADMINISTRATIVE
CHANGES ACT.

The General Assembly of North Carolina enacts:

PART I. UPDATE STATUTES FOR TODAY'S MARKET

SECTION 1.1. G.S. 147-66 reads as rewritten:

"§ 147-66. Office and office hours.

The Treasurer shall keep his or her office at the City of Raleigh, and shall attend there between the hours of 10 o'clock A.M. and three o'clock P.M., ~~Sundays~~Saturdays, Sundays, periods of travel, and legal holidays excepted. ~~He~~The Treasurer shall be allowed such office room as may be necessary."

SECTION 1.2. G.S. 147-69.1(c) reads as rewritten:

"(c) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in subsection (b) of this section in excess of the amount required to meet the current needs and demands on such funds, selecting from among the following:

- (1) Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
- (2) Obligations of ~~the Federal Financing Bank, the Federal Farm Credit Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, the Government National Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, the United States Postal Service, the Export-Import Bank, the International Bank for Reconstruction and Development, the International Finance Corporation, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank, and the Student Loan Marketing Association Bank.~~

...

- (7) Prime quality commercial paper ~~bearing~~that, when acquired, bears the highest ~~rating~~rating, such as a minimum of "P1," "A1," or "F1," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and does not bearing~~bear~~ a rating below the highest by any nationally recognized rating service which rates the particular obligation.
- (8) Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks in borrowing from a federal reserve bank, provided that when bills or drafts are acquired, the accepting bank



or its holding company is either (i) incorporated in the State of North Carolina or (ii) has outstanding publicly held obligations ~~bearing that bear~~ the highest ~~rating~~ rating, such as a minimum of "P1," "A1," or "F1," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and ~~do not bearing bear~~ a rating below the highest by any nationally recognized rating service which rates the particular obligations.

(9) Asset-backed securities (whether considered debt or equity) ~~provided they~~ provided, when acquired, the securities bear the highest ~~rating~~ rating, such as "AAA" or "Aaa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and do not bear a rating below the highest rating by any nationally recognized rating service which rates the particular securities.

(10) Corporate bonds and notes ~~provided they they~~, when acquired, bear the highest ~~rating~~ rating, such as "AAA" or "Aaa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and do not bear a rating below the highest by any nationally recognized rating service which rates the particular obligation."

SECTION 1.3. G.S. 147-69.2 reads as rewritten:

"§ 147-69.2. Investments authorized for special funds held by State Treasurer.

(a) This section applies to funds held by the State Treasurer to the credit of each of the following:

- (1) The Teachers' and State Employees' Retirement ~~System~~ System of North Carolina.
- (2) The Consolidated Judicial Retirement ~~System~~ System of North Carolina.
- (3) The State Health Plan for Teachers and State Employees.
- (4) ~~The General Assembly Medical and Hospital Care Plan.~~
- (5) The Disability Salary Continuation ~~Plan~~ Income Plan of North Carolina.
- (6) The North Carolina Firefighters' and Rescue Squad Workers' Pension Fund.
- (7) The North Carolina Local Governmental Employees' Retirement System.
- (8) The Legislative Retirement ~~System~~ System of North Carolina.
- (9) The Escheat Fund.
- (10) The Legislative Retirement Fund.
- (11) The State Education Assistance Authority.
- (12) The State Property Fire Insurance Fund.
- (13) ~~The Stock Workers' Compensation Fund.~~
- (14) ~~The Mutual Workers' Compensation Fund.~~
- (15) The Public School Insurance Fund.
- (16) The Liability Insurance Trust Fund.
- (16a) The University of North Carolina Hospitals at Chapel Hill funds, except appropriated funds, deposited with the State Treasurer pursuant to G.S. 116-37.2.
- (17) Trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1.
- (17a) North Carolina Veterans Home Trust Fund.
- (17b) North Carolina National Guard Pension Fund.
- (17c) Retiree Health Benefit Fund.
- (17d) The Election Fund.
- (17e) The North Carolina State Lottery Fund.
- (17f) Funds deposited with the State Treasurer by public hospitals pursuant to G.S. 159-39(g).

- 1 (17g) Funds deposited with the State Treasurer by Local Government Other
2 Post-Employment Benefits Trusts pursuant to G.S. 159-30.1.
3 (17h) The Local Government Law Enforcement Special Separation Allowance Fund.
4 (17i) The North Carolina Conservation Easement Endowment Fund.
5 (17j) The Conservation Grant Fund.
6 (18) Any other special fund created by or pursuant to law for purposes other than
7 meeting appropriations made pursuant to the Executive Budget Act.
8 (19) The Swain County Settlement Trust Fund.
9 (20) Institutional funds of the colleges of the North Carolina Community College
10 System.

11 (b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in
12 subsection (a) of this section in excess of the amount required to meet the current needs and
13 demands on such funds. The State Treasurer may invest the funds as provided in this
14 ~~subsection.~~subsection in the manner authorized by subsection (e) of this section. If an investment
15 was authorized by this subsection at the time the investment was made or contractually committed
16 to be made, then that investment shall continue to be authorized by this subsection, and none of
17 the percentage or other limitation on investments set forth in this subsection shall be construed to
18 require the State Treasurer to subsequently dispose of the investment or fail to honor any
19 contractual commitments as a result of changes in market values, ratings, or other investment
20 qualifications. For purposes of computing market values on which percentage limitations on
21 investments in this subsection are based, all investments shall be valued as of the last date of the
22 most recent fiscal quarter. Notwithstanding anything in this section to the contrary, the State
23 Treasurer shall categorize investment management arrangements according to the primary
24 investment type or primary strategy utilized under the arrangement authorized under subsection (e)
25 of this section. No investment management arrangement may be categorized in more than one of
26 the subdivisions of this section.

- 27 (1) Investments authorized by G.S. 147-69.1(c)(1)-(7).
28 (2) General obligations of other states of the United States.
29 (3) General obligations of cities, counties and special districts in North Carolina.
30 (4) Obligations of any company, other organization or legal entity incorporated or
31 otherwise created or located within or outside the United States, including
32 obligations that are convertible into equity securities, ~~if, when acquired, the~~
33 ~~obligations bear one of the four highest ratings of at least one nationally~~
34 ~~recognized rating service when acquired~~are within one of the four highest
35 rating categories regardless of gradations, such as ratings beginning with
36 "AAA," "AA," "A," or either "BBB" or "Baa," of at least one nationally
37 recognized rating service designated by the U.S. Securities and Exchange
38 Commission.
39 (5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.
40 (6) Asset-backed securities (whether considered debt or equity) ~~provided they bear~~
41 ~~ratings by equity), if, when acquired, the obligations are within one of the four~~
42 ~~highest ratings categories regardless of gradations, such as ratings beginning~~
43 ~~with "AAA," "AA," "A," or either "BBB" or "Baa," of at least one nationally~~
44 ~~recognized rating services as provided in G.S. 147-69.2(b)(4).~~service
45 designated by the U.S. Securities and Exchange Commission.
46 (6a) In addition to the limitations and requirements with respect to the investments
47 of the Retirement Systems set forth in this subsection, the State Treasurer shall
48 select investments of the assets of the Retirement Systems such that
49 investments made pursuant to subdivisions (b)(1) through (6) of this section
50 shall at all times equal or exceed twenty percent (20%) of the market value of
51 all invested assets of the Retirement Systems.

- (6b) Investments pursuant to subdivisions (b)(1) through (6) of this section may be made directly by the State Treasurer, through investment companies registered under the Investment Company Act of 1940, individual, common, or collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by subdivisions (1) through (6) of this subsection, or through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by subdivisions (b)(1) through (6) of this section, provided for each indirect investment, the investment manager has assets under management of at least one hundred million dollars (\$100,000,000).
- (6c) With respect to Retirement Systems' assets referred to in subdivision (b)(8), they may be ~~invested~~invested, within or outside the United States, in obligations, debt securities, and asset-backed ~~securities~~securities, whether considered debt or equity, including obligations and securities convertible into other securities, that do not meet the requirements of any of subdivisions (b)(1) through (6) of this section nor subdivision (b)(7) of this section, ~~provided such investments are made through investment companies registered under the Investment Company Act of 1940, individual, common, or collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by this subdivision and through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by this subdivision, provided the investment manager for each investment pursuant to this subdivision has assets under management of at least one hundred million dollars (\$100,000,000) and provided that the investments authorized~~section. The amount invested under this subdivision shall not exceed seven and one-half percent (7.5%) of the market value of all invested assets of the Retirement Systems.
- (7) ~~With respect to Retirement Systems' assets referred to in subdivision (8) of this subsection, (i) insurance contracts that provide for participation in individual or pooled separate accounts of insurance companies, (ii) group trusts, (iii) individual, common, or collective trust funds of banks and trust companies, (iv) real estate investment trusts, (v) investment companies registered under the Investment Company Act of 1940, (vi) limited partnerships, limited liability companies, or other limited liability investment vehicles, and (vii) contractual arrangements in which the investment manager has discretion and authority to invest assets specified in such arrangements in investments authorized by this subsection; provided the investment manager has assets under management of at least one hundred million dollars (\$100,000,000); provided such investment assets are~~subsection may be invested in strategies managed primarily for the purpose of investing in or owning real estate or related debt financing, excluding asset-backed financing, financing and timberlands, located within or outside the United States; and provided that the investments authorized by~~States. The amount invested under~~ this subdivision shall not exceed ten percent (10%) of the market value of all invested assets of the Retirement Systems.
- (8) With respect to assets of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and

1 Rescue Workers' Pension Fund, the Local Governmental Employees'
2 Retirement System, the Legislative Retirement System, the North Carolina
3 National Guard Pension Fund, the Registers of Deeds' Supplemental Pension
4 Fund, and the Retiree Health Benefit Fund (hereinafter referred to collectively
5 as the Retirement Systems), and ~~assets invested pursuant to subdivision (b2) of~~
6 ~~this section, they may be invested in a strategy composed primarily of equity~~
7 ~~securities traded on a public securities exchange or market organized and~~
8 ~~regulated pursuant to the laws of the jurisdiction of such exchange or market~~
9 ~~and issued by any company incorporated or otherwise created or located within~~
10 ~~or outside the United States; provided the investments meet the conditions of~~
11 ~~this subdivision. The investments authorized for the Retirement Systems under~~
12 ~~this subdivision cannot exceed sixty-five percent (65%) of the market value of~~
13 ~~all invested assets of the Retirement Systems.~~

14 ~~The assets authorized under this subdivision may be invested directly by the~~
15 ~~State Treasurer in any equity securities authorized by this subdivision for the~~
16 ~~primary purpose of approximating the movements of a nationally recognized~~
17 ~~and published market benchmark index. No more than one and one-half percent~~
18 ~~(1.5%) of the market value of the Retirement Systems' assets that may be~~
19 ~~invested directly under this subdivision can be invested in the stock of a single~~
20 ~~corporation, and the total number of shares in that single corporation cannot~~
21 ~~exceed eight percent (8%) of the issued and outstanding stock of that~~
22 ~~corporation.~~

23 ~~So long as each investment manager has assets under management of at least~~
24 ~~one hundred million dollars (\$100,000,000), the assets authorized under this~~
25 ~~subdivision may also be invested through any of the following:~~
26 ~~are subject to the following limitations:~~

27 a. ~~Investment companies registered under the Investment Company Act of~~
28 ~~1940; individual, common, or collective trust funds of banks and trust~~
29 ~~companies; and group trusts that invest primarily in investments~~
30 ~~authorized by this subdivision.~~

31 a1. ~~The aggregate amount of such investments cannot exceed sixty-five~~
32 ~~percent (65%) of the market value of all invested assets of the~~
33 ~~Retirement Systems.~~

34 b. ~~Limited partnerships, limited liability companies, or other limited~~
35 ~~liability investment vehicles that are not publicly traded and invest~~
36 ~~primarily in investments authorized by this subdivision. Investments~~
37 ~~under this sub-subdivision~~
38 ~~The aggregate amount of the investment~~
39 ~~invested through investment companies described in sub-subdivision~~
40 ~~(e)(4)b. of this section shall not exceed eight and one-half percent~~
41 ~~(8.5%) of the market value of all invested assets of the Retirement~~
42 ~~Systems. Systems, except that the market value of group trusts and~~
43 ~~individual, common, or collective trust funds of banks and trust~~
44 ~~companies shall not be applied against this limit.~~

45 e. ~~Contractual arrangements in which investment managers have full and~~
46 ~~complete discretion and authority to invest assets specified in such~~
47 ~~contractual arrangements in investments authorized by this subdivision.~~

48 (9) ~~With respect to Retirement Systems' assets, as defined in subdivision (b)(8) of~~
49 ~~this subsection, they may be invested in interests in limited partnerships, limited~~
50 ~~liability companies, or other limited liability investment vehicles that are not~~
51 ~~publicly traded if the primary purpose of the limited partnership, limited~~
~~liability company, or other limited liability investment vehicle is (i) to invest in~~

(i) a strategy composed primarily of private equity, or corporate buyout transactions, within or outside the United States or (ii) an arrangement authorized under subsection (e) of this section with the primary purpose to engage in other strategies not expressly authorized by any other subdivision of this subsection. The amount invested under this subdivision shall not exceed eight and three-quarters percent (8.75%) of the market value of all invested assets of the Retirement Systems.

(9a) With respect to Retirement Systems' assets, as defined in subdivision (b)(8) of this subsection, they may be ~~invested in inflation linked bonds, timberlands, commodities, invested, within or outside the United States, in obligations, debt securities, asset-backed securities, whether considered debt or equity, and other investments that are acquired by the Treasurer for the primary purpose of providing protection against risks associated with inflation, provided such investments are made through investment companies registered under the Investment Company Act of 1940, individual, common or collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by this subdivision and through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by this subdivision, provided the investment manager for each investment pursuant to this subdivision has assets under management of at least one hundred million dollars (\$100,000,000) and provided that the investments authorized along with timberland, natural resources, commodities, infrastructure, transportation, agriculture, and other tangible and intangible real assets. The amount invested under this subdivision shall not exceed seven and one-half percent (7.5%) of the market value of all invested assets of the Retirement Systems. Notwithstanding anything in this subsection to the contrary, the investments authorized by this subdivision shall not be included in any subdivision other than this subdivision for purposes of the percentage investment limitations therein or otherwise.~~

(10) Recodified as part of subdivision (b)(9) by Session Laws 2000-160, s. 2.

(10a) With respect to Retirement Systems' assets, as defined in subdivision (8) of this subsection, the market value of any of subdivision (6c) or (7), sub-subdivision b. of subdivision (8), or subdivision (9) or (9a) of this subsection shall not exceed ten percent (10%) of the market value of all invested assets of the Retirement Systems; and the aggregate market value of all assets invested pursuant to subdivisions (6c) and (7), sub-subdivision b. of subdivision (8), and subdivisions (9) and (9a) of this subsection shall not exceed thirty-five percent (35%) of the market value of all invested assets of the Retirement Systems. ~~The quarterly report provided by the Treasurer pursuant to G.S. 147-68(d1) shall include a specific listing of all direct and indirect placement fees, asset fees, performance fees, and any other money management fees incurred by the State in the management of subdivisions (6c) and (7), sub-subdivision b. of subdivision (8), and subdivisions (9) and (9a) of this subsection. In the event that the market value of any of subdivision (6c) or (7), sub-subdivision b. of subdivision (8), or subdivision (9) or (9a) of this subsection increases during a fiscal year by an amount greater than three percent (3%) of the market value of all invested assets of the Retirement Systems as of the prior fiscal year end, then the quarterly report provided by the Treasurer pursuant to G.S. 147-68(d1) shall describe how that increase complies with the duties described in G.S.~~

~~147-69.7 and the consequent expected impact on the risk profile of the Retirement Systems' assets.~~

(11) Repealed by Session Laws 2013-360, s. 6.3(c), effective July 1, 2013.

(12) It is the intent of the General Assembly that the Escheat Fund provide a perpetual and sustainable source of funding for the purposes authorized by the State Constitution. Accordingly, the following provisions apply:

a. With respect to assets of the Escheat Fund, in addition to those investments authorized by subdivisions (1) through (6) of this subsection, up to ten percent (10%) of such assets may be invested in the investments authorized under subdivisions (6c) through (9a) of this subsection, notwithstanding the percentage limitations imposed on the Retirement Systems' investments under those ~~subdivisions~~ subdivisions, and provided that the State Treasurer may invest the assets as provided in subsection (e) of this section.

b. ~~The State Treasurer shall engage a third-party professional actuary or consultant to conduct a valuation and projection of the financial status of the Escheat Fund. The associated costs for the services may be directly charged to the Escheat Fund. The State Treasurer shall communicate the valuation of the actuary or consultant in an annual report to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the chairs of the respective appropriations and appropriate substantive committees of each chamber. The annual report shall evaluate claims by owners upon the Escheat Fund, current and projected investment returns, and projected contributions to the Escheat Fund. In the report, the State Treasurer shall assess the status of utilizing the Escheat Fund as an endowment fund and shall recommend an annual amount available for the funding of scholarships, loans, and grants from the Fund. The annual report shall be presented no later than December 31 of each year.~~

c. The State Treasurer shall invest, in addition to those investments authorized by ~~subdivision (12) of this subsection~~ sub-subdivision a. of this subdivision, ten percent (10%) of the net assets of the Escheat Fund as authorized under G.S. 147-69.2A.

~~(b1) With respect to investments authorized by subdivisions (b)(7), (b)(8), and (b)(9) of this section, the~~ The State Treasurer shall appoint an Investment Advisory Committee, which shall consist of seven members: the State Treasurer, who shall be chairman ex officio; two members selected from among the members of the boards of trustees of the Retirement Systems; and four members selected from the general public. ~~The four public~~ All appointed members must have experience in areas relevant to the administration of a large, diversified investment program, including, but not limited to, investment management, securities law, real estate development, or absolute return strategies. The State Treasurer shall also appoint a Secretary of the Investment Advisory Committee who need not be a member of the committee. Members of the committee shall receive for their services the same per diem and allowances granted to members of the State boards and commissions generally. The committee shall have advisory powers only and membership shall not be deemed a public office within the meaning of Article VI, Section 9 of the Constitution of North Carolina or G.S. 128-1.1.

(b2) The State Treasurer may invest funds deposited pursuant to subdivision (a)(17f) of this section in any of the investments authorized under subdivisions (b)(1) through (6), subdivision (b)(6c), and subdivision (b)(8) of this section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. The State Treasurer may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and may assess reasonable fees, not to

1 exceed 15 basis points per annum, as a condition of participation pursuant to this subsection.
2 Funds deposited pursuant to this subsection by a hospital shall remain the funds of that hospital,
3 and interest or other investment income earned thereon shall be prorated and credited to the
4 contributing hospital on the basis of the amounts thereof contributed, figured according to sound
5 accounting principles. Fees assessed by the State Treasurer may be used to defray the cost of
6 administering investments pursuant to this ~~subsection~~subsection and expenditures authorized
7 under this section.

8 (b3) The State Treasurer may invest funds deposited pursuant to subdivision (a)(16a) of this
9 section in any of the investments authorized under subdivisions (1) through (6), subdivision (6c)
10 and subdivision (b)(8) of this section, notwithstanding the percentage limitations imposed on the
11 Retirement Systems' investments therein. The State Treasurer may require a minimum deposit, up
12 to one hundred thousand dollars (\$100,000), and may assess reasonable fees, not to exceed 15
13 basis points per annum, as a condition of participation pursuant to this subsection. Funds deposited
14 pursuant to this subsection by the University of North Carolina Hospitals at Chapel Hill shall
15 remain the funds of the University of North Carolina Hospitals at Chapel Hill, and interest or other
16 investment income earned thereon shall be prorated and credited to the University of North
17 Carolina Hospitals at Chapel Hill on the basis of the amounts thereof contributed, figured
18 according to sound accounting principles. Fees assessed by the State Treasurer may be used to
19 defray the cost of administering investments pursuant to this ~~subsection~~subsection and
20 expenditures authorized under this section.

21 (b4) In addition to the investments authorized under subdivisions (b)(1) through (6) of this
22 section, the State Treasurer may invest funds deposited pursuant to subdivision (17g) of
23 subsection (a) of this section in any of the investments authorized under subdivisions (b)(6c) and
24 (b)(8) of this section, notwithstanding the percentage limitations imposed on the Retirement
25 Systems' investments therein. Funds deposited pursuant to this subsection by a Local Government
26 Other Post-Employment Benefits Trust and interest or other investment income earned from those
27 funds shall be prorated and credited to the contributing trust on the basis of the amounts
28 contributed, figured according to sound accounting principles. For investments under subdivisions
29 (b)(6c) and (b)(8) of this section, the State Treasurer may require a minimum deposit of up to one
30 hundred thousand dollars (\$100,000) and may assess reasonable fees of up to 15 basis points per
31 annum as a condition of participation pursuant to this subsection. Fees assessed by the State
32 Treasurer may be used to defray the costs of administering the ~~Fund~~Fund and expenditures
33 authorized under this section.

34 (b5) In addition to the investments authorized under subdivisions (b)(1) through (6) of this
35 section, the State Treasurer may invest funds deposited in the Local Government Law
36 Enforcement Special Separation Allowance Fund in any of the investments authorized under
37 subdivisions (b)(6c) and (b)(8) of this section, notwithstanding the percentage limitations imposed
38 on the Retirement Systems' investments therein. For investments from that Fund made under
39 subdivisions (b)(6c) and (b)(8) of this section, the State Treasurer may require a minimum deposit
40 of up to one hundred thousand dollars (\$100,000) and may assess reasonable fees of up to 15 basis
41 points per annum as a condition of making the investment. The fee may be used to defray the costs
42 of administering the ~~Fund~~Fund and expenditures authorized under this section.

43 (c) Repealed by Session Laws 1995, c. 501, s. 2.

44 (d) The State Treasurer may invest funds deposited pursuant to subdivisions (a)(17i) or
45 (a)(17j) of this section in any of the investments authorized under subdivisions (1) through (6) and
46 subdivision (8) of subsection (b) of this section. The State Treasurer may require a minimum
47 deposit, up to one hundred thousand dollars (\$100,000), and may assess a reasonable fee, not to
48 exceed 15 basis points, as a condition of participation pursuant to this subsection. Fees assessed by
49 the State Treasurer may be used to defray the costs of administering the funds and expenditures
50 authorized under this section. Funds deposited pursuant to this subsection shall remain the funds
51 of the North Carolina Conservation Easement Endowment Fund or the Conservation Grant Fund,

as applicable, and interest or other investment income earned thereon shall be prorated and credited to the North Carolina Conservation Easement Endowment Fund or the Conservation Grant Fund on the basis of the amounts contributed to the respective Funds, figured according to sound accounting principles.

(e) Investments made pursuant to this section may be made as internally managed investments by the State Treasurer or may be made through third-party investment management arrangements, under the following conditions:

- (1) Internally managed portfolios shall be subject to industry standard portfolio guidelines developed with periodic consultation by the Investment Advisory Committee.
- (2) In assessing whether to invest directly or to utilize indirect third-party investment management arrangements, the State Treasurer shall consider all material factors he or she considers relevant to the decision consistent with the Treasurer's fiduciary duties under G.S. 147-69.7, including financial, operational, and investment expertise and resources, alignment of interests and investor protections, transparency and repeatability of investment process, risk controls, and cost-effectiveness.
- (3) For any third-party investment management arrangements, the investment manager must have total assets under management of at least one hundred million dollars (\$100,000,000) at the inception of the investment management arrangement with the State Treasurer.
- (4) Third-party investment management arrangements may be with persons and legal entities located within or outside the United States, including through any of the following:
 - a. Contractual arrangements in which the investment manager has delegated discretion and authority to invest assets.
 - b. Investment companies as defined under United States generally accepted accounting principles as promulgated by the Financial Accounting Standards Board, including without limitation entities registered under the Investment Company Act of 1940; individual, common, or collective trust funds of banks and trust companies; limited partnerships; limited liability companies, or other limited liability investment vehicles; and insurance contracts that provide for participation in individual or pooled separate accounts of insurance companies.

Any limited liability investment vehicles organized by the State Treasurer shall be deemed investment companies for the purposes of this subsection.

- (5) Investment companies shall provide annual audited financial statements to the State Treasurer, unless the State Treasurer waives the requirement after conducting a cost-benefit analysis.
- (6) In connection with any investment otherwise authorized under this section, the State Treasurer may enter into an indemnification agreement provided that, under any agreement, the liability of the State Treasurer will be limited to the amount of the State Treasurer's contractual investment."

SECTION 1.4.(a) G.S. 147-69.2A(a) reads as rewritten:

"§ 147-69.2A. Investments; special funds held by the State Treasurer.

(a) Firm to Administer Special Fund. – Following a public procurement process, a designee of the Governor, a designee of the State Treasurer, a designee of the Speaker of the House of Representatives, and a designee of the President Pro Tempore of the Senate shall jointly and unanimously select a third-party professional investment management firm, registered with the U.S. Securities and Exchange Commission, to administer ~~the Fund~~ a special fund created to

1 invest assets described in G.S. 147-69.2(12)(c) and select investment opportunities appropriate for
2 receiving allocations from the Fund on the basis of potential return on investment and the risks
3 attendant thereto. The State Treasurer shall assign professional and clerical staff to assist in the
4 oversight of the Fund. All costs for the third-party investment management firm and the
5 professional and clerical staff shall be borne by the Fund pursuant to G.S. 147-69.3(f). The State
6 Treasurer shall discharge his or her duties with respect to the Fund as a fiduciary consistent with
7 the provisions of applicable law, including, without limitation, G.S. 36E-3.G.S. 147-69.7."

8 **SECTION 1.4.(b)** G.S. 147-69.2A(d) reads as rewritten:

9 "(d) Report on Escheat Fund-Valuation-Financial Status. – The State Treasurer shall engage
10 a third-party professional ~~actuary or consultant~~ to conduct a valuation and assessment and projection
11 of the financial status of the Escheat Fund. The associated costs for the services may be directly
12 charged to the Escheat Fund. The State Treasurer shall communicate ~~the valuation of the actuary~~
13 ~~or assessment of the~~ consultant in an annual report to the Governor, the Speaker of the House of
14 Representatives, the President Pro Tempore of the Senate, and the chairs of the respective
15 appropriations and appropriate substantive committees of each chamber. The annual report shall
16 evaluate claims by owners upon the Escheat Fund, current and projected investment returns, and
17 projected contributions to the Escheat ~~Fund-Fund~~, current and projected legislative appropriations,
18 and authorized expenses. In the report, the State Treasurer shall assess the status of utilizing the
19 Escheat Fund as an endowment fund and shall recommend an annual amount available for the
20 funding of scholarships, loans, and grants from the Fund. The annual report shall be presented no
21 later than December 31 of each year."

22 **SECTION 1.5.** G.S. 147-75 reads as rewritten:

23 **"§ 147-75. Deputy to act for Treasurer.**

24 The Treasurer may authorize a deputy to perform any duties pertaining to the office. The
25 Treasurer may authorize a deputy to affix the Treasurer's signature to any check, warrant or any
26 other instrument the Treasurer is required to ~~sign by use of the facsimile signature machine or~~
27 ~~device during the Treasurer's absence or disability.~~ sign. The Treasurer shall be responsible for the
28 conduct of his or her deputies."

29 **SECTION 1.6.** G.S. 147-78.1 reads as rewritten:

30 **"§ 147-78.1. Good faith deposits; use of master trust.**

31 Notwithstanding any other provision of law, the State Treasurer is authorized to select a bank
32 or trust company as master trustee to hold cash or securities to be pledged to the State when
33 deposited with ~~him~~ the State Treasurer pursuant to statute or at the request of another State agency.
34 Securities may be held by the master trustee in any form that, in fact, perfects the security interest
35 of the State in the securities. The State Treasurer shall ~~by rule or regulation~~ contractually establish
36 the manner in which the master trust shall operate. The master trustee may charge reasonable fees
37 for services rendered to each person who deposits the cash or securities with the State."

39 **PART II. UPDATES TO THE STATE TREASURER'S INVESTMENT PROGRAMS**

40 **SECTION 2.1.** G.S. 147-69.3 reads as rewritten:

41 **"§ 147-69.3. Administration of State Treasurer's investment programs.**

42 (a) The State Treasurer shall establish, maintain, administer, manage, and operate within
43 the Department of State Treasurer one or more investment programs for the deposit and
44 investment of assets pursuant to the provisions of G.S. 147-69.1 and G.S. 147-69.2. Different
45 Retirement Systems and other funds held by the State Treasurer may be invested collectively or
46 separately in the State Treasurer's discretion consistent with the fiduciary duties stated in
47 G.S. 147-69.7.

48 (b) Any official, board, commission, other public authority, local government, school
49 administrative unit, local ABC board, or community college of the State having custody of any
50 funds not required by law to be deposited with and invested by the State Treasurer may deposit all
51 or any portion of those funds with the State Treasurer for investment in one of the investment

1 programs established pursuant to this section, subject to any provisions of law with respect to
2 eligible investments, provided that any occupational licensing board as defined in G.S. 93B-1 may
3 participate in one of the investment programs established pursuant to this section regardless of
4 whether or not the funds were required by law to be deposited with and invested by the State
5 Treasurer. In the absence of specific statutory provisions to the contrary, any of those funds may
6 be invested in accordance with the provisions of G.S. 147-69.2 and 147-69.3. Upon request from
7 any depositor eligible under this subsection, the State Treasurer may authorize moneys invested
8 pursuant to this subsection to be withdrawn by warrant on the State Treasurer.

9 (c) The State Treasurer's investment programs shall be so managed that in the judgment of
10 the State Treasurer funds may be readily converted into cash when needed.

11 (d) Except as provided by G.S. 147-69.1(d), the total return earned on investments shall
12 accrue pro rata to the fund whose assets are invested according to the formula prescribed by the
13 State Treasurer with the approval of the Governor and Council of State.

14 (e) The State Treasurer has full powers as a fiduciary to hold, purchase, sell, assign,
15 transfer, lend and dispose of any of the securities or investments in which any of the programs
16 created pursuant to this section have been invested, and may reinvest the proceeds from the sale of
17 those securities or investments and any other investable assets of the program.

18 (f) The cost of administration, management, and operation of investment programs
19 established pursuant to this section shall be apportioned equitably among the programs in such
20 manner as may be prescribed by the State Treasurer, such costs to be paid from each program, and
21 to the extent not otherwise chargeable directly to the income or assets of the specific investment
22 program or pooled investment vehicle, shall be deposited with the State Treasurer as a General
23 Fund nontax revenue. The cost of administration, management, and operation of investment
24 programs established pursuant to this section and not directly paid from the income or assets of
25 such program shall be covered by an appropriation to the State Treasurer for this purpose in the
26 Current Operations Appropriations Act.

27 (g) The State Treasurer is authorized to retain the services of independent appraisers,
28 auditors, actuaries, attorneys, investment counseling firms, statisticians, custodians, or other
29 persons or firms possessing specialized skills or knowledge necessary for the proper
30 administration of investment programs created pursuant to this section.

31 ~~(h) The State Treasurer shall prepare, as of the end of each fiscal year, a report on the~~
32 ~~financial condition of each investment program created pursuant to this section. A copy of each~~
33 ~~report shall be submitted within 30 days following the end of the fiscal year to the official,~~
34 ~~institution, board, commission or other agency whose funds are invested, the State Auditor, and~~
35 ~~the chairs of the Finance Committees of the House of Representatives and the Senate.~~

36 ~~(i) The State Treasurer shall report at least twice a year to the General Assembly, through~~
37 ~~the Finance Committees of the House of Representatives and the Senate, on the investment~~
38 ~~programs created under this section. The Treasurer shall present the reports to a joint meeting of~~
39 ~~the Finance Committees. The chairs of the Finance Committees may receive the reports and call~~
40 ~~the meetings. The Finance Committees may meet during the interim as necessary to hear the~~
41 ~~reports from the State Treasurer. The State Treasurer's report and presentation to the Finance~~
42 ~~Committees shall include all of the following:~~

- 43 ~~(1) A full and complete statement of all moneys invested by virtue of the~~
44 ~~provisions of G.S. 147-69.1 and G.S. 147-69.2.~~
- 45 ~~(2) The nature and character of the investments.~~
- 46 ~~(3) The revenues derived from the investments.~~
- 47 ~~(4) The costs of administering, managing, and operating the investment programs,~~
48 ~~including the recapture of any investment commissions.~~
- 49 ~~(5) A statement of the investment policies for the revenues invested.~~
- 50 ~~(6) Any other information that may be helpful in understanding the State~~
51 ~~Treasurer's investment policies and investment results.~~

1 (7) ~~Any other information requested by the Finance Committees.~~

2 (i1) The State Treasurer shall report the incentive bonus paid to the Chief Investment
3 Officer to the Joint Legislative Commission on Governmental Operations by October 1 of each
4 year.

5 (i2) In order to promote achievement of long-term investment objectives and to retain key
6 public employees with investment functions, the State Treasurer is authorized to ~~establish~~
7 establish, consistent with the State Treasurer's fiduciary duties, market-oriented compensation
8 plans, including salaries and performance-related bonuses, for employees possessing specialized
9 skills or knowledge necessary for the proper administration of investment programs, who shall be
10 exempt from the classification and compensation rules established by the Office of State Human
11 Resources. The design and administration of those compensation plans shall be based on
12 compensation studies conducted by a nationally recognized firm specializing in public fund
13 investment compensation. The compensation and other associated employee benefits shall be
14 apportioned directly from the investment program. The Treasurer shall report the salaries and
15 bonuses paid to the Joint Legislative Oversight Committee on General Government annually.

16 (j) Subject to the provisions of G.S. 147-69.1(d), the State Treasurer shall adopt any rules
17 necessary to carry out the provisions of this section."

18 **SECTION 2.2.** G.S. 147-69.7 reads as rewritten:

19 **"§ 147-69.7. Discharge of duties to Retirement Systems funds.**

20 (a) The State Treasurer shall discharge his or her duties with respect to ~~the Retirement~~
21 ~~Systems~~each fund or investment program held by the State Treasurer, including each of the funds,
22 enumerated in G.S. 147-69.2(b)(8)G.S. 147-69.2 as follows:

- 23 (1) Solely in the interest of the participants and beneficiaries; intended beneficiaries
24 of the fund, if any.
- 25 (2) For the exclusive purpose of carrying out the purpose of the fund, including
26 providing benefits to participants and beneficiaries; and paying
27 reasonable expenses of administering the Retirement Systems fund.
- 28 (3) With the care, skill, and caution under the that a prudent investor would use
29 after considering the purposes, distribution requirements, and other
30 circumstances then prevailing which a prudent person acting in a like capacity
31 and familiar with those matters would use in the conduct of an activity of like
32 character and purpose prevailing.
- 33 (4) Impartially, taking into account any differing interests of participants and
34 beneficiaries.
- 35 (5) Incurring only costs that are appropriate and reasonable.
- 36 (6) In accordance with a good-faith interpretation of the provisions of
37 G.S. 147-69.2 and any other applicable law governing the Retirement
38 Systems fund.

39 (b) In investing and managing assets of the Retirement Systems fund pursuant to subsection
40 (a) of this section, the State Treasurer:

- 41 (1) Shall consider the following circumstances:
- 42 a. General economic conditions.
- 43 b. The possible effect of inflation or deflation.
- 44 c. The role that each investment or course of action plays within the
45 overall portfolio of the Retirement Systems fund.
- 46 d. The expected total return from income and the appreciation of capital.
- 47 e. Needs for liquidity, regularity of income, and preservation or
48 appreciation of capital.
- 49 f. The With respect to the Retirement Systems defined in G.S. 147-69.2(d)
50 and any other pension plans, the adequacy of funding for the Retirement
51 Systems based on reasonable actuarial factors.

- 1 g. The purpose of the fund, if established.
- 2 (2) Shall diversify the investments of the ~~Retirement Systems~~fund unless the State
- 3 Treasurer reasonably determines that, because of special circumstances,
- 4 including applicable investment restrictions, it is clearly prudent not to do so.
- 5 (3) Shall make a reasonable effort to verify facts relevant to the investment and
- 6 management of assets of the ~~Retirement Systems~~funds.
- 7 (4) ~~May Shall invest only in any kind of property or type of investment those~~
- 8 investments authorized by law consistent with the provisions of Article 6 of
- 9 Chapter 146 of the General Statutes.
- 10 (5) May consider benefits created by an investment in addition to investment return
- 11 only if the State Treasurer determines that the investment providing these
- 12 collateral benefits would be prudent even without collateral benefits.
- 13 (c) Compliance by the State Treasurer with this section must be determined in light of the
- 14 facts and circumstances existing at the time of the Treasurer's decision or action and not by
- 15 hindsight.
- 16 (d) The State Treasurer's investment and management decisions must be evaluated not in
- 17 isolation but in the context of the portfolio of the ~~Retirement Systems~~fund as a whole and as part
- 18 of an overall investment strategy having risk and return objectives reasonably suited to the
- 19 ~~Retirement Systems~~fund.
- 20 (e) Notwithstanding any of the foregoing, the State Treasurer shall have no duty to assist
- 21 or advise any official, board, commission, local government, other public authority, school
- 22 administrative unit, local ABC board, community college of the State, or other person, trust,
- 23 agency, institution, or entity in connection with any of the following decisions and directions with
- 24 respect to any funds to be deposited with and invested by the State Treasurer:
- 25 (1) The voluntary decision to deposit or withdraw funds in accordance with
- 26 applicable law in one or more of the State Treasurer's investment programs.
- 27 (2) The voluntary direction as to the allocation of deposited funds in accordance
- 28 with applicable law among the State Treasurer's investment programs.
- 29 (3) Any other decision or direction by which the depositor exercises control over
- 30 assets deposited or to be deposited with the State Treasurer in accordance with
- 31 applicable law."

33 **PART III. CODIFY KEY DEPARTMENT OF STATE TREASURER POLICIES**

34 **SECTION 3.** Article 6 of Chapter 147 of the General Statutes is amended by adding

35 new sections to read:

36 **"§ 147-69.9. Third-party audit of State Treasurer's investments,**

37 (a) In addition to all other audits and reports required by the law, the State Treasurer shall

38 prepare and issue, at the end of each fiscal year beginning with the 2015-2016 fiscal year, a set of

39 consolidated stand-alone financial statements regarding investments authorized in G.S. 147-69.1

40 and G.S. 147-69.2. These financial statements shall be audited by a commercial independent

41 third-party audit firm selected and engaged by the State Treasurer. The audit firm's report and the

42 financial statement shall be provided to the Joint Legislative Commission on Governmental

43 Operations, the House of Representative Appropriations Committee, the Senate

44 Appropriations/Base Budget Committee, and the Fiscal Research Division within six months after

45 the closing of the reporting period.

46 (b) The management discussion and analysis section of the report accompanying the

47 financial statements shall include a discussion of the investment programs' risk and returns

48 compared to benchmarks, total management fees and incentives paid, and comparison to peer cost

49 benchmarks.

50 **"§ 147-69.10. Investment policies and performance reviews of Retirement Systems**

51 investment programs.

(a) On at least a biennial basis, the State Treasurer shall present an investment policy statement to the Investment Advisory Committee for the Committee's consultation. The investment policy statement must include descriptions of investment objectives and strategy, roles and responsibilities, permissible asset classes, asset allocation targets and ranges, risk management and compliance guidelines, and evaluation criteria necessary to measure investment performance.

(b) At least once every four years, the State Treasurer shall engage a commercial independent expert firm, pursuant to G.S. 147-69.3(g), to evaluate the governance, operations, and investment practices of the State Treasurer in order to develop recommendations for improvement. The State Treasurer must consult with the Investment Advisory Committee to develop the scope of the evaluation. The report of the independent expert firm shall be provided to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Committee, the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division within 30 days of receipt.

"§ 147-69.11. Ethics policies.

(a) To ensure that the State Treasurer's investment programs operate under a strong governance framework with rigorous internal controls and a high degree of operational transparency and are managed with the highest ethical and professional standards and in the most efficient and effective manner possible, the State Treasurer, after consultation with the Investment Advisory Committee, is authorized and required to adopt policies and procedures on the following topics:

- (1) Requiring that the Department of State Treasurer's Investment Management Division adopt a code of ethics.
- (2) Requiring all employees of the Department who have responsibility for matters related to investments to be provided with training with respect to the discharge of their duties and responsibilities to the funds.
- (3) Governing gifts to employees of the Department who have responsibility for matters related to investments.
- (4) Imposing limitations on external investment managers' use of placement agents and other persons that appear before the Department to ensure that these persons play only a proper role in investment opportunities.
- (5) As a component of the investment due diligence, negotiations, and contracting process, requiring an independent assessment of whether circumstances exist that create a material risk that professional judgement or actions regarding a potential investment arrangement's recommendation, approval, or execution have been or will be unduly influenced by a direct or indirect personal interest."

PART IV. REQUIRE DETAILED FEE AND PERFORMANCE REPORTING BY STATE TREASURER; CONSOLIDATE STATUTORY REPORTING REQUIREMENTS

SECTION 4.1.(a) Article 6 of Chapter 147 of the General Statutes is amended by adding a new section to read:

"§ 147-69.12. Reporting on the State Treasurer's investment programs.

(a) No later than the tenth day of February, May, August, and November of each year, the State Treasurer shall report on all investments for which the State Treasurer is in any way responsible. The State Treasurer's quarterly report shall include each of the following:

- (1) A specific listing of all direct and indirect placement fees, asset fees, performance fees, and any other money management fees incurred by the State in the management of the Retirement Systems defined in G.S. 147-69.2(b)(8). In the event that the market value of any of subdivision (6c) or (7), sub-subdivision b. of subdivision (8), or subdivision (9) or (9a) of G.S. 147-69.2 increases during a fiscal year by an amount greater than three percent (3%) of the market value of all invested assets of the Retirement

1 Systems as of the prior fiscal year end, then the quarterly report provided shall
2 describe how that increase complies with the duties described in G.S. 147-69.7
3 and the consequent expected impact on the risk profile of the Retirement
4 Systems' assets.

5 (2) A specific listing of all investments made with certified green managers and
6 companies and funds that support sustainable practices, including the names of
7 the companies, managers, and funds, the amount invested, and the State's return
8 on investment.

9 (3) For bank balances:

10 a. The State's total bank balance with the State Treasurer, including the
11 amount of cash on hand and money on deposit.

12 b. For each bank or other qualified depository utilized by the State
13 Treasurer to hold cash balances (i) the name of each depository and (ii)
14 current quarter-end cash balances.

15 (4) For the State Treasurer's cash management programs:

16 a. Total assets.

17 b. Duration of investments.

18 c. Rate of return, including a comparison to an appropriate benchmark, if
19 available.

20 (5) For the Retirement Systems, as defined in G.S. 147-69.2(b)(8), reported
21 separately for each asset class authorized by G.S. 147-69.2(b):

22 a. Total assets.

23 b. Rate of return, including a comparison to an appropriate benchmark, if
24 available.

25 c. Percentage of the total assets that are invested in the asset class and the
26 limitation, if any, on the percentage under G.S. 147-69.2(b).

27 (6) For each investment program created under G.S. 147-69.3:

28 a. The financial condition of each investment program.

29 b. A full and complete statement of all moneys invested by virtue of the
30 provisions of G.S. 147-69.1 and G.S. 147-69.2.

31 c. The nature and character of the investments.

32 d. The revenues derived from the investments, net of fees and expenses.

33 e. The costs of administering, managing, and operating the investment
34 programs, including the recapture of any investment commissions.

35 f. The location on the State Treasurer's Web site where the public may
36 find a statement of the investment policies for the revenues invested.

37 g. Any other information that may be helpful in understanding the State
38 Treasurer's investment policies, investment practices, and investment
39 results.

40 h. Any other information requested by the House of Representatives and
41 Senate Finance Committees.

42 i. The location on the State Treasurer's Web site where the public may
43 find a list of new commitments to external investment managers.

44 j. The location on the State Treasurer's Web site where the public may
45 find information on the use of placement agents by investment
46 managers.

47 (7) For all other investments with or on behalf of the State or any of its agencies or
48 institutions:

49 a. The particular agency or institution, fund, rate of return, and duration of
50 the investment.

51 b. The amount of deposit on all noninterest bearing accounts.

(b) No later than the date set by G.S. 147-69.9 for the submission of consolidated stand-alone financial statements, the State Treasurer shall report annually on the fees and performance of all externally and internally managed investments for the Retirement Systems defined in G.S. 147-69.2(b)(8). Externally managed investments shall be reported on the basis of each investment vehicle or investment manager, as applicable. Internally managed investments shall be reported on a portfolio-by-portfolio basis. The State Treasurer's annual report shall include all of the following, as applicable, reported separately for each investment:

- (1) The name, commitment amount, statutory classification, and inception year.
- (2) Either a statement that the investment is managed internally by the staff of the State Treasurer or the names of the external investment manager and the investment vehicle for that investment.
- (3) Value of the investment.
- (4) Dollar amount of the management fees and incentive fees.
- (5) For investment-grade fixed income or public equity investments, the periodic net annualized time-weighted rate of return for that fiscal year and since inception, reported net of fees.
- (6) For all investments other than investment-grade fixed income or public equity investments, all of the following:
 - a. The net annualized internal rate of return and investment multiple since inception, reported net of fees.
 - b. The total cash contributions or other investments made by the State Treasurer.
 - c. The total distribution received by the State Treasurer with respect to that investment since inception, reported net of fees.
- (7) For any fund of funds investment vehicles, the aggregate management fees and incentive fees for the underlying investment managers or investment vehicles used by the external investment manager.
- (8) If any placement agent fees relating to the investment were directly or indirectly borne by the State Treasurer or Retirement Systems, a list of the amount and type of those fees.

(c) Reserved.

(d) The reports required by this section shall be delivered to the Joint Legislative Commission on Government Operations, chairs of the House of Representatives and Senate Appropriations Committees, chairs of the House of Representative and Senate Finance Committees, Fiscal Research Division, Governor, Council of State, and State Auditor. The reports shall also be made available for public review, including by posting on the State Treasurer's Web site.

A copy of a report on any State Treasurer investment program shall be sent to the official, institution, board, commission, or other agency investing in that program.

(e) On or before December 31, 2016, the State Treasurer shall adopt rules to implement the provisions of this section, including rules to define the terms used in this section."

SECTION 4.1.(b) G.S. 147-68(d) is recodified as G.S. 147-69.12(c).

SECTION 4.1.(c) G.S. 147-69.1(e) is repealed.

SECTION 4.1.(d) G.S. 147-68(d1) is repealed.

SECTION 4.2. G.S. 147-69.8 reads as rewritten:

"§ 147-69.8. Annual report on new investment authority.

Whenever the General Assembly broadens the investment authority of the State Treasurer as to the General Fund, the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina National Guard Pension Fund, or any idle funds, the State Treasurer shall annually report

1 in detail to the General Assembly the investments made under such new authority, including the
2 returns on those investments, earnings, changes to value, and gains and losses in disposition of
3 such investments. The report shall be made ~~during~~no later than the first six months of each
4 calendar year, covering performance in the prior ~~calendar~~fiscal year. As to each type of new
5 investment authority, the report shall be made for at least four years. To the extent the information
6 required by this section is also required in the reports under G.S. 147-69.12, the State Treasurer
7 may combine reports or make cross-reference to those reports."

8 **SECTION 4.3.** G.S. 147-69.2A(b) reads as rewritten:

9 "(b) Organization and Reporting. – All documents of the Governor or the State Treasurer
10 concerning the Fund are public records governed by Chapter 132 of the General Statutes and any
11 applicable provisions of the General Statutes protecting confidential information.

12 The State Treasurer and the Governor shall jointly develop and adopt an investment policy
13 statement for the Fund.

14 The State Treasurer and Governor shall jointly adopt a common policy to prevent conflicts of
15 interests such that (i) the designees of the State Treasurer and Governor who selected the
16 third-party investment management firm, (ii) the staff of the State Treasurer overseeing the Fund,
17 and (iii) the third-party investment management firm's employees selecting or overseeing Fund
18 investments do not provide services for compensation (as an employee, consultant, or otherwise),
19 within two years after the end of their service to the Fund, to any entity in which an investment
20 from the Fund was made.

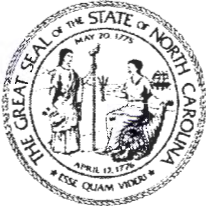
21 By October 1, 2015, and at least semiannually thereafter, the State Treasurer shall submit a
22 report to the Governor, the Office of State Budget and Management, the Joint Legislative
23 Commission on Governmental Operations, and the Fiscal Research Division on investments made
24 from the Fund and any return on investment. This report shall be made for the Fund in lieu of the
25 reports required by ~~G.S. 147-69.1(e), 147-69.2(b)(10a), 147-69.3(h), 147-69.3(i), and~~
26 ~~147-69.8.~~G.S. 147-69.8 and G.S. 147-69.12(b)."

27 **SECTION 4.4** This section becomes effective July 1, 2016, and applies to all reporting
28 periods beginning on or after that date.

30 **PART V. EFFECTIVE DATE**

31 **SECTION 5.** Section 5 of this act is effective when it becomes law. Except as
32 otherwise provided, the remainder of this becomes effective January 31, 2017.





HOUSE BILL 1134: Admin. Changes Retirement System/Treasurer.

2016-2017 General Assembly

Committee: House Pensions and Retirement
Introduced by: Reps. McNeill, Ross
Analysis of: PCS to First Edition
H1134-CSSH-66

Date: May 30, 2016
Prepared by: Theresa Matula,
Committee Staff &
Jason Moran-Bates,
LAD Staff

SUMMARY: *The PCS for House Bill 1134 does the following: adds language pertaining to a member killed in the line of duty for the NC Firefighters' and Rescue Squad Workers' Pension Fund; amends and clarifies the recoupment of overpaid benefits; adds a "normal retirement age" to the Teachers' and State Employees' Retirement System (TSERS), Local Governmental Employees' Retirement System (LGERS), and the Consolidated Judicial Retirement System (CJRS); provides for compliance investigations for TSERS and LGERS; amends the anti-pension spiking contribution-based benefit installment payment options; adds the Director of the Office of State Human Resources as an ex officio member of the TSERS Board of Trustees and provides for the TSERS and LGERS that the State Treasurer is the ex officio chair of the Board and appoints a director; increases the number of Department of State Treasurer employees for which the State Treasurer may set classification and compensation levels; creates the Legislative Enactment Implementation Arrangement (LEIA) to facilitate administration of TSERS and LGERS; clarifies the retirement information that is subject to the Public Records Law; allows certain forms to be transmitted electronically to TSERS and LGERS members; amends for a period, the membership threshold for employee and retiree associations that may have deductions from retirement benefits, and then repeals the option, for TSERS, CJRS, LGERS, Legislative Retirement System (LRS), and National Guard pension members; repeals changes that were made by a section of SL 2015-69 as it relates to unclaimed property; prevents counterfeit State checks; clarifies that the 403(b) Program uses the same procurement procedures as the 401(k) and 457 plans; adds language pertaining to pension spiking reports; prohibits conversion of benefits for retirement purposes; amends Disability Income Plan reporting of earnings requirements; and makes other largely technical changes.*

BILL ANALYSIS:

Section 1 amends the NC Firefighters' and Rescue Squad Workers' Pension Fund. Section 1(a) provides that, "killed in the line of duty" has the same meaning as in the Law-Enforcement Officers', Firemen's, Rescue Squad Workers' and Civil Air Patrol Members' Death Benefits Act. Section 1(b) adds GS 58-86-55 to outline the manner in which benefits are paid when a member is killed in the line of duty. Section 1(c) amends the law pertaining to lump sum payments when a firefighter or rescue squad worker dies, but is not killed in the line of duty. Section 1(d) provides that Section 1 becomes effective July 1, 2018, and applies to benefits paid when a member is killed in the line of duty on or after that date.

Section 2 pertains to the recoupment of overpaid benefits. Section 2(a) amends the NC Firefighters' and Rescue Squad Workers' Pension Fund to provide that any overpayment of benefits to a member in a State-administered retirement system, the Disability Salary Continuation Plan, the Disability Income Plan, or State Health Plan premiums paid on behalf of a member, who is later determined ineligible, may

Karen Cochrane-Brown
Director



Legislative Analysis
Division
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be offset against a retirement allowance, return of contributions, or other right accruing to the person, the person's estate, or designated beneficiary. Section 2(b) amends the Teachers' and State Employees' Retirement System (TSERS) and Section 2(c) amends the Local Governmental Employees' Retirement System (LGERS) to clarify the right to recoup overpaid benefits. Section 2(d) provides that Section 2 becomes effective January 1, 2017.

Section 3 adds a "normal retirement age" to the TSERS, the LGERS, and the Consolidated Judicial Retirement System (CJRS). The Retirement Systems Division reports that this provision is in response to regulations proposed by the IRS for a "normal retirement age" for qualified governmental retirement plans.

Sections 3(a)-(e) pertain to the TSERS. Section 3(a) establishes a definition for a "normal retirement age" only for persons who became members on or after January 1, 2017. "Normal retirement age" for members who are not law enforcement officers (LEO) or eligible former LEO is as follows: (i) 55 years of age or older with 30 years of creditable service, (ii) 60 years of age or older with 25 years, or (iii) 65 years of age or older with 5 years of membership service. For LEO or eligible former LEO the "normal retirement age" is as follows: 50 years of age or older with 30 years of creditable service, or 55 years of age with five years. Sections 3(b), 3(c) and 3(d) outline the service retirement allowance for individuals who became members prior to January 1, 2017, and those who became members on or after January 1, 2017. Section 3(e) provides the survivor's alternate benefit for an individual who became a member on or after January 1, 2017.

Sections 3(f)-(j) pertain to the LGERS and establish similar "normal retirement age" provisions for LGERS as outlined above for TSERS. Section 3(f) provides the same age and years of service combinations as provided above for LEO and non-LEO members. Sections 3(g)-(j) provide the service retirement benefits, service retirement allowance, and survivor's alternate benefit to correspond to the retirement age provision in the LGERS.

Sections 3(k)-(m) establish the "normal retirement age" provisions for the CJRS to provide that the normal retirement age for those who became members on or after January 1, 2017 is 55 years of age or older with 30 years of creditable service, or 65 years of age or older with 5 years of membership service. Sections 3(l)-(m) outline service retirement benefits for those who became members prior to January 1, 2017, and those who became members on or after that date.

Section 3(n) provides that the effective date for Section 3 is January 1, 2017.

Section 4 provides for compliance investigations in addition to the current fraud investigations in the TSERS and LGERS. Sections 4(a)-(d) pertain to TSERS. Section 4(a) simply moves a definition to keep the statutory section in alphabetical order. Section 4(b) adds a definition for "compliance investigation" which means an independent review or examination, by Retirement Systems Division staff or representatives, of records, activities, actions, or decisions by employers or other entities in order to detect errors and ensure compliance and full accountability in the use of pension funds. Section 4(c) specifically adds "records" to the list of items that can be examined during a fraud investigation. Section 4(d) makes a conforming change to add compliance investigations to the provision for fraud investigations. Sections 4(e)-(h) make changes similar to the ones above for the LGERS. This section becomes effective when it becomes law.

Section 5 amends the anti-pension spiking contribution-based benefit cap purchase provision for TSERS and LGERS to offer two installment payment plan options and extends the repayment period. The section becomes effective when it becomes law.

Section 6 includes the Administrative Procedures Act in the other provisions that are covered by the notwithstanding language for the anti-pension spiking benefit cap for the TSERS and LGERS and

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moves the Consumer Price Index month used from December to June when calculating increase in the minimum average final compensation subject to the contribution-based benefit cap. This section is effective when it becomes law and applies retroactively to January 1, 2015.

Section 7 makes a number of gender neutral amendments and removes the years of service provision from the death benefit beneficiary designation by electronic submission for TSERS, CJRS, LGERS, and Legislative Retirement System. Section 7 becomes effective January 1, 2017.

Section 8 amends statutes pertaining to TSERS and LGERS Boards of Trustees. Section 8(a) amends the Board of Trustees Teachers' and State Employees' Retirement System to add the Director of the Office of State Human Resources as an ex officio member. Section 8(b) amends G.S. 135-6(g) to provide that the State Treasurer appoints the director. Section 8(c) amends G.S. 128-28(h) pertaining to the LGERS Board of Trustees to provide that the State Treasurer is an ex officio chair and appoints a director. Since it is not otherwise provided, this section becomes effective when it becomes law.

Section 9 expands the number of Department of State Treasurer employees that are exempt from certain provisions of the State Human Resources Act and for which the State Treasurer sets classification and compensation levels. Section 9(a) amends G.S. 135-6 pertaining to the administration of the TSERS to authorize the State Treasurer to establish market-oriented compensation plans for employees in positions designated as key management roles who possess specialized skills or knowledge necessary for the effective administration of retirement benefits and who are exempt from the classification and compensation rule established by the Office of State Human Resources. The design and administration of compensation plans must be based on compensation studies conducted by a nationally recognized firm and the costs of compensation and other employee benefits must be apportioned from administrative receipts of the TSERS. On or before December 1 each year, the Treasurer must report salaries paid under this provision to the Joint Legislative Oversight Committee on General Government. Section 9(b) amends G.S. 128-28 to make a similar change for Department employees pertaining to the administration of the LGERS. Section 9(c) amends G.S. 126-5 to provide that the State Human Resources Act does not generally apply to employees covered by the above provisions, only specified sections and Articles of the Chapter apply. This section becomes effective January 1, 2017.

Section 10 creates a Legislative Enactment Implementation Arrangement (LEIA) for TSERS and LGERS. Section 10(a) adds a new subsection to G.S. 135-7 creating the LEIA under the TSERS Board of Trustees. The purpose of the LEIA is to provide timely administrative implementation of legislative provisions relating to TSERS. The following elements are outlined for the LEIA: administration, funding, and allocation funds to LEIA. The Department of the State Treasurer is required to report not later than August 1 of each year to the Board of Trustees, the Joint Legislative Commission on Government Operations, and the Fiscal Research Division on the amounts and sources of the funds collected, the amounts expended, and the identity and status of the projects on which those funds were expended. This information must also be posted on its website. Section 10(b) creates the LEIA as outlined above for the LGERS. Section 10(c) provides that this section becomes effective October 1, 2016.

Section 11 clarifies the retirement information is subject to the Public Records Law. Section 11(a) provides information on an Attorney General's Advisory Opinion of February 5, 2008, that concluded information about retirement benefits was intended to be a record maintained for public inspection and that Department of the State Treasurer should make the information available for public inspection. The remainder of Section 11 creates and consolidates the laws pertaining to public records for the TSERS and LGERS. Section 11(b) adds a new section, G.S. 135-6.1, to Article 1 of Chapter 135 for the TSERS pertaining to confidentiality of member information. Various elements of the newly created G.S. 135-6.1 are as follows: Subsection (a) defines employment-related information, personal information,

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retirement file and retirement-related information. Subsection (b) provides that member retirement files are not subject to public inspection and examination, except to notify members and beneficiaries of their rights and accruals of benefits and as stated in subsections (c), (d), and (e) below. Subsection (c) provides that following member information is public: name; age; the dates of membership in the retirement system, the dates of first service, enrollment and employment, and the date of retirement; the terms of any contract by which a member was employed; job title; compensation; changes in employment; current assignment; record of benefits paid; and purchases of educational leave. Subsection (d) requires custodians of retirement file information to permit inspection and examination of that information by the public during regular business hours. Any person denied access to retirement file information may seek appropriate relief in a court of competent jurisdiction. Subsection (e) allows the Retirement Systems Division to disclose the names and mailing addresses of former State employees, former public school employees, or former community college employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees. Subsection (f) states any retirement file information not specified in subsection (c) is confidential and not open for inspection except by the member, the member's authorized agent, a member of the General Assembly under authority of G.S. 120-19, and an individual with a proper court order authorizing inspection. Subsection (g) makes it a Class 3 misdemeanor, punishable by a fine no greater than \$500, for a public official or employee to knowingly and willfully permit an unauthorized person to have access, custody, or possession of confidential information in a retirement file. Subsection (h) makes it a Class 3 misdemeanor, punishable by a fine no greater than \$500, for any person not authorized to have access to confidential retirement file information to knowingly and willfully examine, remove, or copy any portion of a confidential retirement file.

Section 11(c) adds a new section to Article 3 of Chapter 128 of the General Statutes (LGERS) containing provisions similar to those in Section 11(b).

Section 11(d) makes a conforming change to G.S. 126-22 which pertains to personnel files not subject to inspection under the public records law (G.S. 132-6).

Sections 11(e)-(h) repeal statutes authorizing disclosure of the names and mailing addresses of former public school employees, former community college employees, and former state and local government employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees because similar provisions are found in Sections 11(b) and 11(c) of the bill. Section 11 is effective when it becomes law.

Sections 12(a) and (b) amend G.S. 135-10.1 and 128-32.1 to require members in TSERS and LGERS, respectively, to respond within 120 days of transmission of Form 6-E or Form 7-E to them. Under current law, the Forms must be mailed to members. Section 12 is effective when it becomes law.

Section 13 amends for a period of time the membership threshold for employee and retiree associations that may have deductions from retirement benefits and then repeals the option for TSERS, CJRS, LGERS, LRS, and National Guard pension members. Sections 13(a)-(e) amend G.S. 135-18.8(a) and (b), G.S. 135-75(a) and (b), 128-38.3(a) and (b), 120-4.32(a) and (b), and 127A-40(h1) respectively. The bill increases from 2,000 to 10,000, the number of members that an employee or retiree association must have before members in TSERS, CJRS, LGERS, LRS, and the National Guard Pension can authorize a periodic deduction from their retirement benefits to be paid to the employee or retiree association. The bill also requires proof of the authorization to be made available to the Department of the State Treasurer upon request. Finally, the bill adds subsection (c) to G.S. 128-38.3, allowing any retiree of an employer who made arrangements with the Retirement System to authorize a periodic deduction from the retiree's benefits to be paid to the employer for the purpose of providing health benefits. Then Sections 13(f)-(k) repeal G.S. 135-18.8(a), G.S. 135-75(a), G.S. 128-38.3(a), G.S. 128-

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38.3(c), G.S. 120-4.32(a), and 127A-40(h1), respectively. Section 13(l) makes Sections 13(f)-(k) effective July 1, 2017. The remainder of Section 13 is effective when it becomes law.

Section 14 repeals Session Law 2015-68, Section 2, which amended G.S. 116B-70 pertaining to unclaimed property. This change restores the statute back to the prior form and is effective when it becomes law.

Section 15 amends G.S. 143B-426.40G(b) to provide that the \$15 fee for overdrawn checks is imposed on agencies with non-State funds. This section becomes effective October 1, 2016.

Section 16 amends Article 6 of Chapter 147 of the General Statutes pertaining to unpaid warrants (state checks) by adding a new section stating that outstanding, unpaid warrants issued by the State are confidential and not available for public inspection if the Treasurer believes making the information available for inspection would be sufficient to counterfeit a warrant. Section 16 is effective when it becomes law.

Section 17 amends G.S. 147-79 to allow letters of credit issued by a Federal Home Loan Bank to be used to collateralize deposits. This section becomes effective when it becomes law.

Section 18 makes references to the Supplemental Retirement Board of Trustees consistent across statutes and provides that the 403(b) uses the same procurement procedures as the 401(k) and 457 plans. This section becomes effective when it becomes law.

Section 19 requires pension spiking reports to be transmitted to governing boards. This section becomes effective when it becomes law.

Section 20 outlines what compensation includes and does not include for those who became TSERS and LGERS members on or after January 1, 2017, and prohibits the conversion of certain benefits to salary for retirement purposes. The section becomes effective January 1, 2017.

Section 21 amends G.S. 135-109 pertaining to the reporting of earnings requirements under the Disability Income Plan. This section is effective when it becomes law.

Section 22 contains a severability clause.

EFFECTIVE DATE: The effective dates are specified in each section of the bill analysis above.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: Proposed Committee Substitute to House Bill 1134
(H1134-CSSH-66 [v.11])

SHORT TITLE: Admin. Changes Retirement System/Treasurer.

SPONSOR(S): Representatives McNeill and Ross

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; local government funds

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS), Consolidated Judicial Retirement System (CJRS), Legislative Retirement System (LRS), Local Governmental Employees' Retirement System (LGERS), Disability Income Plan (DIP), National Guard Pension Fund (NGPF), Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), and the North Carolina Public School Teachers' and Professional Educators' Investment Plan (NC 403(b)).

BILL SUMMARY:

Section 1: Extends the monthly benefit in the FRSWPF to the named beneficiary of a member killed in the line-of-duty (as defined in G.S. 143-166.2(c) for the \$50,000 death benefit). The benefit is payable for 300 months or until the beneficiary's death, whichever comes first. Also allows all members to name a beneficiary for the return of contributions, which goes to the spouse, children, or estate, in that order, under current law.

Section 2: Amends statutes governing the FRSWPF, TSERS, and LGERS to improve the Retirement Systems Division's ability to collect repayment of overpaid benefits.

Section 3: Defines a Normal Retirement Age (NRA) and changes the date at which unreduced benefits are payable in TSERS, LGERS, and CJRS for those who become members on or after January 1, 2017. Does not change benefits for any current members. The following table shows the changes:

Retirement System	Unreduced Retirement Eligibility for Current Members (Earliest of Conditions Shown)	Unreduced Retirement Eligibility for Those who Become Members after 2016 (Earliest of Conditions)
TSERS/LGERS Law-Enforcement (LEO)	Age 55 with 5 years of service Any age with 30 years	Age 55 with 5 years of service Age 50 with 30 years
TSERS/LGERS Non-LEO	Age 65 with 5 years of service Age 60 with 25 years Any age with 30 years	Age 65 with 5 years of service Age 60 with 25 years Age 55 with 30 years
CJRS	Age 65 with 5 years of service Age 50 with 24 years	Age 65 with 5 years of service Age 55 with 30 years

The proposed legislation does not change eligibility for early (reduced) retirement benefits.

Section 4: Extends the Retirement System Division (RSD)'s access to an employing agency's persons and records when RSD staff is conducting a compliance investigation to detect errors and ensure accountability. RSD currently has access to these persons and records when conducting an investigation of fraud.

Section 5: Clarifies the time period during which an employing agency may make payments under the Contribution Based Benefit Cap provision in TSERS and LGERS. The Cap is intended to more accurately distribute the cost of "pension spiking", i.e. large increases in compensation during the four years that are used in calculating the benefit. With this change the employing agency could choose payment without interest between 3 and 15 months after the member's retirement or with interest between 3 and 27 months after retirement.

Section 6: Clarifies that factors that apply to the Cap do not have to be set through the rule making process under Chapter 150B and changes the timing of the inflation indexing of the minimum earnings below which the Cap does not apply.

Section 7: Allows members of several Systems to elect beneficiaries on-line, rather than by paper form, regardless of the amount of service they have. Currently beneficiaries cannot be elected on-line if the member has 10 or more years of service.

Section 8: Replaces a higher education appointee as a member of the TSERS Board of Trustees with the Director of the Office of State Human Resources. Also establishes the State Treasurer as the chairperson of the Boards and gives the Treasurer authority to appoint the director of the Retirement System.

Section 9: Creates an exemption to State classification and compensation rules for employees with specialized retirement administration skills.

Section 10: Creates a fund under the control of the Boards of Trustees of TSERS and LGERS that can be used to pay for the cost of implementing any legislated benefit changes that will result in future reductions in contributions. The maximum amount that can be directed into the fund is 0.01% of compensation.

Section 11: Separates statutes governing what is public within membership records held by the Retirement Systems Division from statutes governing what is public record within employment files held by employing agencies.

Section 12: Clarifies that certain documents can be transmitted by means other than physical mail.

Section 13: Modifies statutes allowing the Retirement Systems Division to deduct payments to employees' and retirees' associations from retiree benefit payments. The required membership count for some associations is increased from 2,000 to 10,000 and proof of authorization from the member to deduct the payment must be made available upon request. The section disallows all but a small number of deductions effective July 1, 2017.

Sections 15-17: Affect Department of State Treasurer operations unrelated to the Retirement Systems, so are not addressed in this note.

Section 18: Clarifies governance statutes for the NC 403(b) Plan.

Section 19: Requires that employers who receive a report that they are likely to owe an additional contribution under the Contribution Based Benefit Cap must forward that report to certain governing bodies of the employer.

Section 20: Eliminates conversion of additional benefits to salary from the definition of Compensation for retirement purposes for those who become members of TSERS or LGERS after 2016. The section does not affect the definition for any current members.

Section 21: Grants the Retirement Systems Division additional flexibility in handling missing reports of earnings from DIP recipients.

EFFECTIVE DATE: Section 1 becomes effective July 1, 2018. Sections 2, 3, 7, 9, and 20 become effective January 1, 2017. Sections 4, 5, 6, 8, 11, 12, 14, 16, 17, 18, 19, and 21 become effective when they become law. Sections 10 and 15 become effective October 1, 2016. Section 13 becomes effective when it becomes law, except as described above.

ESTIMATED IMPACT ON STATE:

Section 1:

Buck Consultants, the actuary for the Retirement Systems, estimates that the line-of-duty death provision of this section will increase the actuarially determined contribution for the FRSWPF by \$96,000 per year.

Hartman & Associates, the actuary for the General Assembly, estimates that the line-of-duty death provision of this section will increase the actuarially determined contribution for the FRSWPF by approximately \$50,000 per year.

Section 3: Buck Consultants and Hartman & Associates estimate the following long-term reduction in the normal cost (and therefore the actuarially determined contribution) due to this section:

<u>System</u>	<u>Buck Consultants</u>	<u>Hartman & Associates</u>
TSERS	0.03% of pay	0.16% of pay
LGERS	0.04% non-LEO, 0.11% LEO	0.16% of pay
CJRS	0.67%	0.68% of pay

Both actuaries agree that this section will have no impact on the actuarially determined contribution in FY 2016-17.

Both actuaries estimate that the other sections of the proposed legislation will have no material impact on the contribution rates or liabilities of any of the systems affected.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2014 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2014 unless otherwise noted, M = millions)				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>FRSWPF</u>
Active Members				
Count	307,313	123,184	566	43,134
General Fund Compensation	\$9,865M		\$70M	
Valuation Compensation (Total)	\$13,737M	\$5,652M	\$71M	Not applicable
Average Age	45	44	55	40
Average Service	10.7	10.3	13.0	11.7
Inactive Members				
Count	134,871	55,298	50	153
Retired Members				
Count	194,607	60,408	610	12,730
Annual Benefits	\$4,058M	\$1,109M	\$37M	\$26M
Average Age	70	68	72	68
New Retirees During 2015	11,400	4,100	50	600

Financial Statistics (as of 12/31/2014 unless otherwise noted, M = millions)				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>FRSWPF</u>
Accrued Liability (AL)	\$67,715M	Not meaningful	\$567M	\$419M
Actuarial Value of Assets (AVA)	\$64,734M	\$22,682M	\$534M	\$381M
Market Value of Assets (MVA)	\$64,587M	\$22,745M	\$534M	\$383M
Unfunded Accrued Liability (AL - AVA)	\$2,981M	Not meaningful	\$33M	\$38M
Funded Status (AVA / AL)	96%	Not meaningful	94%	91%
Annual Required Contribution (ARC) for FY 2016-17 (as % of pay)	9.48% (new assumptions)	7.25% (non-LEO)	28.53%	\$17.6M

Assumed Rate of Investment Return	7.25%	7.25%	7.25%	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 6.86%	3.50% - 6.71%	3.50% - 5.50%	Not applicable
Cost Method	Entry Age Normal	Frozen Entry Age	Entry Age Normal	Entry Age Normal
Amortization	12 year, closed, flat \$	Not applicable	12 year, closed, flat \$	12 year, closed, flat \$
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015				

Benefit Provisions				
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>FRSWPF</u>
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay	3.02% to 4.02% x Service x Final Pay	\$170 per month
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5	50/24; 65/5	55/20
Employee contribution (as % of pay)	6%	6%	6%	\$10 per month

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Administrative Changes Retirement System/Treasurer – House Bill 1134", May 27, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 1134: An Act to Make Administrative Changes to the Retirement System and to Make Other Changes Affecting the State Treasurer", May 26, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide

David Vanderweide

APPROVED BY:

Mark Trogon

Mark Trogon, Director
Fiscal Research Division

DATE: May 30, 2016



**NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1134**

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H1134-ASH-23 [v.2]

Page 1 of 1

Amends Title [NO]
H1134-CSSH-66

Date _____, 2016

Representative Hurley

1 moves to amend the bill on page 35, lines 41-48 by deleting the lines.
2

SIGNED _____

Pat Hurley
Amendment Sponsor

SIGNED _____

Committee Chair if Senate Committee Amendment

ADOPTED _____

FAILED _____

TABLED _____



* H 1 1 3 4 - A S H - 2 3 - V - 2 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1134

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H1134-ASH-25 [v.3]

Page 1 of 2

Amends Title [NO]
H1134-CSSH-66

Date _____, 2016

Representative Elmore

moves to amend the bill on page 19, line 37, by rewriting the line to read:

"(3) Option three. – An installment payment plan beginning not less than 90 days after the retirement of the member and ending no more than 60 months after the retirement of the member. The installments must be made in equal amounts in six month increments. No interest shall be assessed on the principal amount of the contribution-based benefit cap liability owed.

Payment under ~~such an~~ any installment plan must be completed regardless of whether the";

And to amend the bill on page 20, line 20, by rewriting the line to read:

"(3) Option three. – An installment payment plan beginning not less than 90 days after the retirement of the member and ending no more than 60 months after the retirement of the member. The installments must be made in equal amounts in six month increments. No interest shall be assessed on the principal amount of the contribution-based benefit cap liability owed.

Payment under ~~such an~~ any installment plan must be completed regardless of whether the";

and to amend the bill on page 20, between lines 22 and 23 by inserting the following between the lines:

"SECTION 5.(c) G.S. 135-4(jj)(3) and G.S. 128-26(y)(3) become effective when it becomes law and applies only to a member's whose retirement allowance is determined subject to an adjustment pursuant to the contribution-based benefit cap established under G.S. 128-27(a3)



* H 1 1 3 4 - A S H - 2 5 - V - 3 *

**NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1134**

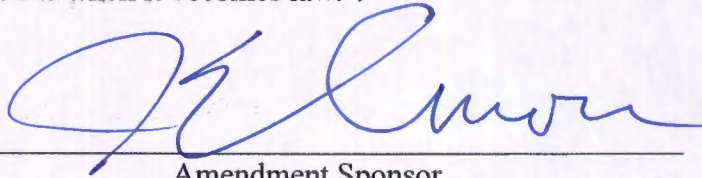
H1134-ASH-25 [v.3]

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

Page 2 of 2

- 1 between January 1, 2015 and the date this act becomes law. Except as otherwise provided, Section
2 5 becomes effective when it becomes law."

SIGNED _____



Amendment Sponsor

SIGNED _____

Committee Chair if Senate Committee Amendment

ADOPTED _____

FAILED _____

TABLED _____



**NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1134**

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H1134-ASH-21 [v.8]

Page 1 of 17

Amends Title [NO]
H1134-CSSH-66

Date _____, 2016

Representative Elmore

moves to amend the bill on page 3, line 26 through page 16, line 6 by rewriting the lines to read:

"SECTION 3.(a) G.S. 135-1 is amended by adding a new subdivision to read:

"(14a) 'Normal retirement age' shall mean, only for persons who became members on or after January 1, 2017:

a. For members who are not law enforcement officers or eligible former law enforcement officers, (i) 50 years of age or older with 30 years of creditable service, (ii) 60 years of age or older with 25 years of creditable service, or (ii) 65 years of age or older with five years of membership service.

b. For members who are law enforcement officers or eligible former law enforcement officers, 50 years of age or older with 30 years of creditable service or 55 years of age or older with five years of membership service and five years of creditable service as a law enforcement officer which may or may not be concurrent to the five years of membership service."

SECTION 3.(b) G.S. 135-5(a) reads as rewritten:

"(a) Service Retirement Benefits.

(1) Any member may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution of and filing thereof, ~~hethe member~~ desires to be retired: Provided, that the said member at the time so specified for ~~his~~the member's retirement shall have attained the age of 60 years and have at least five years of membership service or shall have completed 30 years of creditable service.

(1a) Repealed by Session Laws 2014-88, s. 3(b), effective July 30, 2014.

(1b) Any member who became a member on or after January 1, 2017, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution of and filing thereof, the member desires to be retired: Provided, that the member at the time so specified for the member's retirement shall have attained normal retirement age.



* H 1 1 3 4 - A S H - 2 1 - V - 8 *

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1134

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H1134-ASH-21 [v.8]

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- 1 (2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.
- 2 (3) Any member who was in service October 8, 1981, who had attained 60 years of
- 3 age, may retire upon electronic submission or written application to the Board
- 4 of Trustees setting forth at what time, as of the first day of a calendar month,
- 5 not less than one day nor more than 120 days subsequent to the execution and
- 6 filing thereof, he desires to be retired.
- 7 (4) Any member who became a member prior to January 1, 2017, who is a
- 8 law-enforcement ~~officer~~officer, and who attains age 50 and completes 15 or
- 9 more years of creditable service in this capacity or who attains age 55 and
- 10 completes five or more years of creditable service in this capacity, may retire
- 11 upon electronic submission or written application to the Board of Trustees
- 12 setting forth at what time, as of the first day of a calendar month, not less than
- 13 one day nor more than 120 days subsequent to the execution and filing thereof,
- 14 ~~he~~the member desires to be retired; Provided, also, any member who has met
- 15 the conditions herein required but does not retire, and later becomes a teacher or
- 16 an employee other than as a law-enforcement officer shall continue to have the
- 17 right to commence retirement.
- 18 (4a) Repealed by Session Laws 2014-88, s. 3(b), effective July 30, 2014.
- 19 (4b) Any member who became a member on or after January 1, 2017, who is a
- 20 law-enforcement officer and who attains age 50 and completes 30 or more years
- 21 of creditable service in this capacity or who attains age 55 and completes five or
- 22 more years of membership service in this capacity, may retire upon electronic
- 23 submission or written application to Board of Trustees setting forth at what
- 24 time, as of the first day of a calendar month, not less than one day nor more
- 25 than 120 days subsequent to the extension and filing thereof, the member
- 26 desires to be retired: Provided, that the member at the time so specified for the
- 27 member's retirement shall have attained normal retirement age; and provided
- 28 and also, any member who has met the conditions herein required but does not
- 29 retire, and later becomes a teacher or an employee other than as a
- 30 law-enforcement officer shall continue to have the right to commence
- 31 retirement.

32 ..."

33 **SECTION 3.(c)** G.S. 135-5(b19) reads as rewritten:

34 "(b19) Service Retirement Allowance of Members Who Became Members Prior to January 1,

35 2017, Retiring on or After July 1, 2002. – Upon retirement from service in accordance with

36 subsection (a) or (a1) of this section, on or after July 1, 2002, a member who became a member

37 prior to January 1, 2017, shall receive the following service retirement allowance:

- 38 (1) A member who is a law enforcement officer or an eligible former law
- 39 enforcement officer shall receive a service retirement allowance computed as
- 40 follows:
- 41 a. If the member's service retirement date occurs on or after ~~his~~the
- 42 member's 55th birthday, and completion of five years of creditable
- 43 service as a law enforcement officer, or after the completion of 30 years



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1134

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H1134-ASH-21 [v.8]

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- of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of ~~his~~the member's average final compensation, multiplied by the number of years of ~~his~~the member's creditable service.
- b. If the member's service retirement date occurs on or after ~~his~~the member's 50th birthday and before ~~his~~the member's 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, ~~his~~the member's retirement allowance shall be equal to the greater of:
1. The service retirement allowance payable under G.S. 135-5(b19)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which ~~his~~the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained his or her 55th birthday; or
 2. The service retirement allowance as computed under G.S. 135-5(b19)(1)a. reduced by five percent (5%) times the difference between 30 years and ~~his~~the member's creditable service at retirement.
- (2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:
- a. If the member's service retirement date occurs on or after ~~his~~the member's 65th birthday upon the completion of five years of membership service or after the completion of 30 years of creditable service or on or after ~~his~~the member's 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of ~~his~~the member's average final compensation, multiplied by the number of years of creditable service.
- b. If the member's service retirement date occurs after ~~his~~the member's 60th birthday and before ~~his~~the member's 65th birthday and prior to ~~his~~the member's completion of 25 years or more of creditable service, ~~his~~the member's retirement allowance shall be computed as in G.S. 135-5(b19)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which ~~his~~the member's retirement date precedes the first day of the month coincident with or next following ~~his~~the member's 65th birthday.
- c. If the member's early service retirement date occurs on or after ~~his~~the member's 50th birthday and before ~~his~~the member's 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, ~~his~~the member's early service retirement allowance shall be equal to the greater of:

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1134

AMENDMENT NO. _____
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Principal Clerk)

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1. The service retirement allowance as computed under G.S. 135-5(b19)(2)a. but reduced by the sum of five-twelfths of one percent ($\frac{5}{12}$ of 1%) thereof for each month by which ~~his~~the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained his or her 60th birthday, plus one-quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each month by which ~~his~~the member's 60th birthday precedes the first day of the month coincident with or next following ~~his~~the member's 65th birthday; or
 2. The service retirement allowance as computed under G.S. 135-5(b19)(2)a. reduced by five percent (5%) times the difference between 30 years and ~~his~~the member's creditable service at retirement; or
 3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b19)(2)b.
- d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1963, shall not receive less than the benefit provided by G.S. 135-5(b)."

SECTION 3.(d) G.S. 135-5 is amended by adding a new subsection to read:

"(b21) Service Retirement Allowance of Members Who Became a Member On or After January 1, 2017 – Upon retirement from service in accordance with subsection (a) or (a1) of this section, a member who became a member on or after January 1, 2017, shall receive the following service retirement allowance:

- (1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

- a. If the member's service retirement date occurs on or after the member's 55th birthday, and completion of five years membership service as a law enforcement officer, or after the completion of 30 years creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of the member's average final compensation, multiplied by the number of years of creditable service.
- b. If the member's service retirement date occurs on or after the member's 50th birthday, and before the member's 55th birthday, with 15 or more years of creditable service as a law enforcement officer and prior to the normal retirement age, the member's retirement allowance shall be equal to the greater of the following amounts:

1. The service retirement allowance payable under G.S. 135-5(b21)(1)a. reduced by one-third of one percent ($\frac{1}{3}$ of 1%) thereof for each month by which the member's retirement

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date precedes the first day of the month coincident with or next following the month the member would have attained age 55.

2. The service retirement allowance as computed under G.S. 135-5(21)(1)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained normal retirement age had the member continued working.

- (2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

- a. If the member's service retirement date occurs on or after the member's 65th birthday upon completion of five years of membership service, or on or after the member's 60th birthday upon completion of 25 years of creditable service, or on or after the member's 50th birthday upon completion of 30 years creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of the member's average final compensation multiplied by the number of years of creditable service.

- b. If the member's service retirement date occurs after the member's 60th birthday and before the member's 65th birthday and prior to the member's completion of 25 years or more of creditable service, the retirement allowance shall be computed as in G.S. 136-5(b21)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the member's 65th birthday.

- c. If the member's early service retirement date occurs on or after the member's 50th birthday and before the member's 60th birthday and after completion of 20 years creditable service but prior to the normal retirement age, the early service retirement allowance shall be equal to the greater of the following amounts:

1. The service retirement allowance as computed under G.S. 135-5(b21)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained age 60, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which the member's 60th birthday precedes the first day of the month coincident with or next following the member's 65th birthday.

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2. The service retirement allowance as computed under G.S. 135-5(21)(1)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained normal retirement age had the member continued working."

SECTION 3.(e) G.S. 135-5 is amended by adding a new subsection to read:

"(m5) **Survivor's Alternate Benefit.** – Upon the death of a member in service, who became a member on or after January 1, 2017, the beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option 2 of subsection (g) of this section computed by assuming that the member had retired on the first day of the month following the date of the member's death, provided that all four of the following conditions apply:

- (1) a. The member had attained such age or creditable service to be eligible to commence retirement with an early or service retirement allowance, or
b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with G.S. 135-5(b21)(1)b. or G.S. 135-5(b21)(2)c., notwithstanding the requirement of obtaining age 50, or
b1. The member was a law enforcement officer who had obtained 15 years of service as a law enforcement officer and was killed in the line of duty, in which case the retirement allowance shall be computed in accordance with G.S. 135-5(b21)(1)b., notwithstanding the requirement of obtaining age 50.
- (2) At the time of the member's death, one and only one beneficiary is eligible to receive a return of the member's accumulated contributions.
- (3) The member had not instructed the Board of Trustees in writing that the member did not wish the provisions of this subsection to apply.
- (4) The member had not commenced to receive a retirement allowance as provided under this Chapter.

For the purpose of this benefit, a member is considered to be in service at the date of death if the member's death occurs within 180 days from the last day of the member's actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase. The term "in service" as used in this subsection includes a member in receipt of a benefit under the Disability Income Plan as provided in Article 6 of this Chapter.

Notwithstanding the foregoing, a member who is in receipt of Workers' Compensation during the period for which the member would have otherwise been eligible to receive short-term benefits, as provided in G.S. 135-105, and who dies on or after 181 days from the last day of the

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member's actual service but on or before the date the benefits as provided in G.S. 135-105 would have ended, shall be considered in service at the time of the member's death for the purpose of this benefit.

For the purpose of calculating this benefit any terminal payouts made after the date of death that meet the definition of compensation shall be credited to the month prior to the month of death. These terminal payouts do not include salary or wages paid for work performed during the month of death."

SECTION 3.(f) G.S. 128-21 is amended by adding a new subdivision to read:

"(14a) 'Normal retirement age' shall mean, only for persons who became members on or after January 1, 2017:

a. For members who are not law enforcement officers or eligible former law enforcement officers, (i) 50 years of age or older with 30 years of creditable service, (ii) 60 years of age or older with 25 years of creditable service, or (ii) 65 years of age or older with five years of creditable service.

b. For members who are law enforcement officers or eligible former law enforcement officers, 50 years of age or older with 30 years of creditable service or 55 years of age or older with five years of creditable service as a law enforcement officer."

SECTION 3.(g) G.S. 128-27(a) reads as rewritten:

"(a) Service Retirement Benefits. –

(1) Any member may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, ~~he~~the member desires to be retired: Provided, that the said member at the time so specified for ~~his~~the member's retirement shall have attained the age of 60 years and have at least five years of creditable service or shall have completed 30 years of creditable service, or if a firefighter or rescue squad worker, ~~he~~the member shall have attained the age of 55 years and have at least five years of creditable service.

(1b) Any member who became a member on or after January 1, 2017, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution of and filing thereof, the member desires to be retired: Provided, that the member at the time so specified for the member's retirement shall have attained normal retirement age.

(2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.

(3) Repealed by Session Laws 1971, c. 325, s. 12.

(4) Any member who was in service October 8, 1981, who had attained 60 years of age, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month,

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- 1 not less than one day nor more than 120 days subsequent to the execution and
2 filing thereof, he desires to be retired.
- 3 (5) Any member who became a member prior to January 1, 2017, who is a law
4 enforcement officer, and who attains age 50 and completes 15 or more years of
5 creditable service in this capacity or who attains age 55 and completes five or
6 more years of creditable service in this capacity, may retire upon electronic
7 submission or written application to the Board of Trustees setting forth at what
8 time, as of the first day of a calendar month, not less than one day nor more
9 than 120 days subsequent to the execution and filing thereof, ~~hethe~~ member
10 desires to be retired; provided, also, any member who has met the conditions
11 required by this subdivision but does not retire, and later becomes an employee
12 other than as a law enforcement officer, continues to have the right to
13 commence retirement.
- 14 (6) Any member who became a member on or after January 1, 2017, who is a
15 law-enforcement officer, and who attains age 50 and completes 30 or more
16 years of creditable service in this capacity or who attains age 55 and completes
17 five or more years of membership service in this capacity, may retire upon
18 electronic submission or written application to Board of Trustees setting forth at
19 what time, as of the first day of a calendar month, not less than one day nor
20 more than 120 days subsequent to the extension and filing thereof, the member
21 desires to be retired: Provided, that the member at the time so specified for the
22 member's retirement shall have attained normal retirement age; and provided
23 and also, any member who has met the conditions herein required but does not
24 retire, and later becomes a teacher or an employee other than as a
25 law-enforcement officer shall continue to have the right to commence
26 retirement."

27 **SECTION 3.(h)** G.S. 128-27(b1) reads as rewritten:

28 "(b21) Service Retirement Allowance of Member Who Became a Member Prior to January 1,
29 2017, Retiring on or After July 1, 2003. – Upon retirement from service in accordance with
30 subsection (a) or (a1) above, on or after July 1, 2003, a member who became a member prior to
31 January 1, 2017, shall receive the following service retirement allowance:

- 32 (1) A member who is a law enforcement officer or an eligible former law
33 enforcement officer shall receive a service retirement allowance computed as
34 follows:
- 35 a. If the member's service retirement date occurs on or after ~~his~~the
36 member's 55th birthday and completion of five years of creditable
37 service as a law enforcement officer, or after the completion of 30 years
38 of creditable service, the allowance shall be equal to one and eighty-five
39 hundredths percent (1.85%) of ~~his~~the member's average final
40 compensation, multiplied by the number of years of ~~his~~the member's
41 creditable service.
- 42 b. If the member's service retirement date occurs on or after ~~his~~the
43 member's 50th birthday and before ~~his~~the member's 55th birthday with

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15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, ~~his~~the member's retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 128-27(b21)(1)a. reduced by one-third of one percent ($\frac{1}{3}$ of 1%) thereof for each month by which ~~his~~the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained his or her 55th birthday;
2. The service retirement allowance as computed under G.S. 128-27(b21)(1)a. reduced by five percent (5%) times the difference between 30 years and ~~his~~the member's creditable service at retirement.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

- a. If the member's service retirement date occurs on or after ~~his~~the member's 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after ~~his~~the member's 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-five hundredths percent (1.85%) of average final compensation, multiplied by the number of years of creditable service.
- b. If the member's service retirement date occurs after ~~his~~the member's 60th birthday and before ~~his~~the member's 65th birthday and prior to ~~his~~the member's completion of 25 years or more of creditable service, ~~his~~the member's retirement allowance shall be computed as in G.S. 128-27(b21)(2)a. but shall be reduced by one-quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each month by which ~~his~~the member's retirement date precedes the first day of the month coincident with or next following ~~his~~the member's 65th birthday.
- c. If the member's early service retirement date occurs on or after ~~his~~the member's 50th birthday and before ~~his~~the member's 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, ~~his~~the member's early service retirement allowance shall be equal to the greater of:
 1. The service retirement allowance as computed under G.S. 128-27(b21)(2)a. but reduced by the sum of five-twelfths of one percent ($\frac{5}{12}$ of 1%) thereof for each month by which ~~his~~the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained his or her 60th birthday, plus one-quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each month by which ~~his~~the

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- 1 member's 60th birthday precedes the first day of the month
2 coincident with or next following ~~his~~the member's 65th birthday;
3 or
4 2. The service retirement allowance as computed under
5 G.S. 128-27(b21)(2)a. reduced by five percent (5%) times the
6 difference between 30 years and histhe member's creditable
7 service at retirement; or
8 3. If the member's creditable service commenced prior to July 1,
9 1995, the service retirement allowance equal to the actuarial
10 equivalent of the allowance payable at the age of 60 years as
11 computed in G.S. 128-27(b21)(2)b.
12 d. Notwithstanding the foregoing provisions, any member whose
13 creditable service commenced prior to July 1, 1965, shall not receive
14 less than the benefit provided by G.S. 128-27(b)."

15 **SECTION 3.(i)** G.S. 128-27 is amended by adding a new subsection to read:

16 "(b22) Service Retirement Allowance of Members Who Became a Member On or After
17 January 1, 2017 – Upon retirement from service in accordance with subsection (a) or (a1) of this
18 section, a member who became a member on or after January 1, 2017, shall receive the following
19 service retirement allowance:

20 (1) A member who is a law enforcement officer or an eligible former law
21 enforcement officer shall receive a service retirement allowance computed as
22 follows:

23 a. If the member's service retirement date occurs on or after the member's
24 55th birthday, and completion of five years membership service as a law
25 enforcement officer, or after the completion of 30 years creditable
26 service, the allowance shall be equal to one and eighty-five hundredths
27 percent (1.85%) of the member's average final compensation, multiplied
28 by the number of years of creditable service.

29 b. If the member's service retirement date occurs on or after the member's
30 50th birthday, and before the member's 55th birthday, with 20 or more
31 years of creditable service as a law enforcement officer and prior to the
32 normal retirement age, the member's retirement allowance shall be equal
33 to the greater of the following amounts:

34 1. The service retirement allowance payable under
35 G.S. 128-27(b22)(1)a. reduced by one-third of one percent (1/3
36 of 1%) thereof for each month by which the member's retirement
37 date precedes the first day of the month coincident with or next
38 following the month the member would have attained age 55.

39 2. The service retirement allowance as computed under
40 G.S. 128-27(22)(1)a. but reduced by the sum of five-twelfths of
41 one percent (5/12 of 1%) thereof for each month by which the
42 member's retirement date precedes the first day of the month
43 coincident with or next following the month the member would

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- have attained normal retirement age had the member continued working.
- (2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:
- a. If the member's service retirement date occurs on or after the member's 65th birthday upon completion of five years creditable service, or on or after the member's 60th birthday upon completion of 25 years of creditable service, or on or after the member's 50th birthday upon completion of 30 years of creditable service, the allowance shall be equal to one and eighty-five hundredths percent (1.85%) of the member's average final compensation multiplied by the number of years of creditable service.
- b. If the member's service retirement date occurs after the member's 60th birthday and before the member's 65th birthday and prior to the member's completion of 25 years or more of creditable service, the retirement allowance shall be computed as in G.S. 128-27(b22)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the member's 65th birthday.
- c. If the member's early service retirement date occurs on or after the member's 50th birthday and before the member's 60th birthday and after completion of 20 years creditable service but prior to the normal retirement age, the early service retirement allowance shall be equal to the greater of the following amounts:
1. The service retirement allowance as computed under G.S. 128-27(b22)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained age 60, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which the member's 60th birthday precedes the first day of the month coincident with or next following the member's 65th birthday.
2. The service retirement allowance as computed under G.S. 128-27(b22)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained normal retirement age had the member continued working.

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- 1 3. If the member's creditable service commenced prior to July 1,
2 1994, the service retirement allowance equal to the actuarial
3 equivalent of the allowance payable at the age of 60 years as
4 computed under G.S. 128-27(b22)(2)b."

5 **SECTION 3.(j)** G.S. 128-27 is amended by adding a new subsection to read:

6 "(m4) Survivor's Alternate Benefit. – Upon the death of a member in service, the beneficiary
7 designated to receive a return of accumulated contributions shall have the right to elect to receive
8 in lieu thereof the reduced retirement allowance provided by Option two of subsection (g) of this
9 section computed by assuming that the member had retired on the first day of the month following
10 the date of the member's death, provided that all four of the following conditions apply:

- 11 (1) a. The member had attained such age or creditable service to be eligible to
12 commence retirement with an early or service retirement allowance, or
13 b. The member had obtained 20 years of creditable service in which case
14 the retirement allowance shall be computed in accordance with
15 G.S. 128-27(b22)(1)b. or G.S. 128-27(b22)(2)c., notwithstanding the
16 requirement of obtaining age 50, or
17 b1. The member was a law enforcement officer who had obtained 15 years
18 of service as a law enforcement officer and was killed in the line of
19 duty, or the member was a firefighter or a rescue squad worker who had
20 obtained 15 years of service as a firefighter or a rescue squad worker
21 and was killed in the line of duty, in which cases the retirement
22 allowance shall be computed in accordance with G.S. 128-27(b22)(1)b.,
23 notwithstanding the requirement of obtaining age 50.
24 (2) At the time of the member's death, one and only one beneficiary is eligible to
25 receive a return of the member's accumulated contributions.
26 (3) The member had not instructed the Board of Trustees in writing that the
27 member did not wish the provisions of this subsection apply.
28 (4) The member had not commenced to receive a retirement allowance as provided
29 under this Chapter.

30 For the purpose of this benefit, a member is considered to be in service at the date of the
31 member's death if the death occurs within 180 days from the last day of the member's actual
32 service. The last day of actual service shall be determined as provided in subsection (l) of this
33 section. Upon the death of a member in service, the surviving spouse may make all purchases for
34 creditable service as provided for under this Chapter for which the member had made application
35 in writing prior to the date of death, provided that the date of death occurred prior to or within 60
36 days after notification of the cost to make the purchase.

37 For the purpose of calculating this benefit, any terminal payouts made after the date of death
38 that meet the definition of compensation shall be credited to the month prior to the month of death.
39 These terminal payouts do not include salary or wages paid for work performed during the month
40 of death."

41 **SECTION 3.(k)** G.S. 135-53 is amended by adding a new subdivision to read:

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"(12a) Normal retirement age shall mean, only for persons who became members on or after January 1, 2017, 50 years of age or older with 30 years of creditable service or 65 years of age or older with five years of membership service."

SECTION 3.(I) G.S. 135-58 reads as rewritten:

"§ 135-58. Service retirement benefits.

...

(a6) Any member who became a member prior to January 1, 2017, and who retires under the provisions of G.S. 135-57(a) or G.S. 135-57(c) on or after July 1, 2008, after the member has either attained the member's 65th birthday or has completed 24 years or more of creditable service, shall receive an annual retirement allowance, payable monthly, which shall commence on the effective date of the member's retirement and shall be continued on the first day of each month thereafter during the member's lifetime, the amount of which shall be computed as the sum of the amounts in subdivisions (1), (2), (3), (4), and (5) of this subsection, provided that in no event shall the annual allowance payable to any member be greater than an amount which, when added to the allowance, if any, to which the member is entitled under the Teachers' and State Employees' Retirement System, the Legislative Retirement System, or the Local Governmental Employees' Retirement System (prior in any case to any reduction for early retirement or for an optional mode of payment), would total three-fourths of the member's final compensation:

- (1) Four and two hundredths percent (4.02%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a justice of the Supreme Court, a judge of the Court of Appeals, or the Director of the Administrative Office of the Courts;
- (2) Three and fifty-two hundredths percent (3.52%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the superior court;
- (3) Three and two hundredths percent (3.02%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the district court, district attorney, clerk of superior court, public defender, or the Director of Indigent Defense Services;
- (4) A service retirement allowance computed in accordance with the service retirement provisions of Article 3 of Chapter 128 of the General Statutes using an average final compensation as defined in G.S. 135-53(2a) and creditable service equal to the number of years of the member's creditable service that was transferred from the Local Governmental Employees' Retirement System to this System as provided in G.S. 135-56; and
- (5) A service retirement allowance computed in accordance with the service retirement provisions of Article 1 of this Chapter using an average final compensation as defined in G.S. 135-53(2a) and creditable service, including any sick leave standing to the credit of the member, equal to the number of years of the member's creditable service that was transferred from the Teachers' and State Employees' Retirement System or the Legislative Retirement System to this System as provided in G.S. 135-56.

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1 (a7) Any member who became a member on or after January 1, 2017, who retires under the
2 provisions of G.S. 135-57(a) or G.S. 135-57(c) after the member has attained normal retirement
3 age shall receive an annual retirement allowance, payable monthly, which shall commence on the
4 effective date of the member's retirement and shall be continued on the first day of each month
5 thereafter during the member's lifetime, the amount of which shall be computed as the sum of the
6 amounts in subdivisions (1), (2), (3), (4), and (5) of this subsection, provided that in no event shall
7 the annual allowance payable to any member be greater than an amount which, when added to the
8 allowance, if any, to which the member is entitled under the Teachers' and State Employees'
9 Retirement System, the Legislative Retirement System, or the Local Governmental Employees'
10 Retirement System (prior in any case to any reduction for early retirement or for an optional mode
11 of payment), would total three-fourths of the member's final compensation:

- 12 (1) Four and two hundredths percent (4.02%) of the member's final compensation,
13 multiplied by the number of years of creditable service rendered as a justice of
14 the Supreme Court, a judge of the Court of Appeals, or the Director of the
15 Administrative Office of the Courts;
16 (2) Three and fifty-two hundredths percent (3.52%) of the member's final
17 compensation, multiplied by the number of years of creditable service rendered
18 as a judge of the superior court;
19 (3) Three and two hundredths percent (3.02%) of the member's final compensation,
20 multiplied by the number of years of creditable service rendered as a judge of
21 the district court, district attorney, clerk of superior court, public defender, or
22 the Director of Indigent Defense Services;
23 (4) A service retirement allowance computed in accordance with the service
24 retirement provisions of Article 3 of Chapter 128 of the General Statutes using
25 an average final compensation as defined in G.S. 135-53(2a) and creditable
26 service equal to the number of years of the member's creditable service that was
27 transferred from the Local Governmental Employees' Retirement System to this
28 System as provided in G.S. 135-56; and
29 (5) A service retirement allowance computed in accordance with the service
30 retirement provisions of Article 1 of this Chapter using an average final
31 compensation as defined in G.S. 135-53(2a) and creditable service, including
32 any sick leave standing to the credit of the member, equal to the number of
33 years of the member's creditable service that was transferred from the Teachers'
34 and State Employees' Retirement System or the Legislative Retirement System
35 to this System as provided in G.S. 135-56.

36 (b) Any member who became a member prior to January 1, 2017, who retires under the
37 provisions of subsection (a) or subsection (c) of G.S. 135-57 before ~~he~~the member either has
38 attained his or her sixty-fifth birthday or has completed 24 years of creditable service shall receive
39 an annual retirement allowance, payable monthly, which shall commence on the effective date of
40 his~~the~~ member's retirement and shall be continued on the first day of each month thereafter during
41 his~~the~~ member's lifetime, the amount of which shall be determined in the same manner and be
42 subject to the same maximum limitation as provided for in subsection (a) above except that the
43 allowance so computed shall be reduced by one quarter of one percent (¼ of 1%) thereof for each

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month by which the member's retirement date precedes the first day of the month coincident with or next following the earlier of

(1) The member's sixty-fifth birthday or

(2) The date the member would have completed 24 years of creditable service if ~~he~~the member had been in membership service from his or her retirement date until such date.

For the sole purpose of determining whether a member has completed the required 24 years of creditable service referred to in this subsection (b) or the date on which ~~he~~the member would have completed such period of creditable service if ~~he~~the member had remained in membership service, in the case of a member of the Teachers' and State Employees' Retirement System who became a member of this Retirement System under circumstances described in G.S. 135-28.1, and who at the time of ~~his~~the member's retirement hereunder is in service and has retained his or her membership in the Teachers' and State Employees' Retirement System as provided for in G.S. 135-28.1, ~~his~~the member's creditable service shall be taken as the sum of ~~his~~the member's creditable service hereunder plus the amount of creditable service remaining to ~~his~~the member's credit in such other system as provided for in G.S. 135-28.1.

(b1) Any member who became a member on or after January 1, 2017, who retires under the provisions of subsection (a) or subsection (c) of G.S. 135-57 before the member has attained normal retirement age shall receive an annual retirement allowance, payable monthly, which shall commence on the effective date of the member's retirement and shall be continued on the first day of each month thereafter during the member's lifetime, the amount of which shall be determined in the same manner and be subject to the same maximum limitation as provided for in subsection (a) above except that the allowance so computed shall be reduced by one quarter of one percent (1/4 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained normal retirement age had the member continued working.

For the sole purpose of determining whether a member has completed the required 30 years of creditable service referred to in this subsection or the date on which the member would have completed such period of creditable service if the member had remained in membership service, in the case of a member of the Teachers' and State Employees' Retirement System who became a member of this Retirement System under circumstances described in G.S. 135-28.1, and who at the time of the member's retirement hereunder is in service and has retained his or her membership in the Teachers' and State Employees' Retirement System as provided for in G.S. 135-28.1, the member's creditable service shall be taken as the sum of the member's creditable service hereunder plus the amount of creditable service remaining to the member's credit in such other system as provided for in G.S. 135-28.1.

..."

SECTION 3.(m) G.S. 135-74(c1) reads as rewritten:

"(c1) A member who has contributions in this System and is not eligible for a retirement benefit as set forth in G.S. 135-58(a6) or 135-58(a7) shall be paid his or her contributions in a lump sum as provided in G.S. 135-62 by April 1 of the calendar year following the later of the calendar year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be a judge, district attorney, public defender, the Director of Indigent Defense Services, or clerk of

NORTH CAROLINA GENERAL ASSEMBLY
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1 superior court as provided in G.S. 135-53, except by death. If such member fails, following
2 reasonable notification, to complete a refund application by such required date, the requirement
3 that a refund application be completed shall be waived and the refund shall be paid without a
4 refund application as a single lump-sum payment with applicable required North Carolina and
5 federal income taxes withheld. For purposes of this subsection, a member shall not be considered
6 to have ceased to be a judge, district attorney, public defender, the Director of Indigent Defense
7 Services, or clerk of superior court as provided in G.S. 135-53 if the member is actively
8 contributing to the Teachers' and State Employees' Retirement System, Local Governmental
9 Employees' Retirement System, or Consolidated Judicial Retirement System. A lump-sum refund
10 shall not be paid under this subsection if the member is actively contributing to the Teachers' and
11 State Employees' Retirement System, Local Governmental Employees' Retirement System, or
12 Consolidated Judicial Retirement System."

13 **SECTION 3.(n)** The Joint Legislative Program Evaluation Oversight Committee shall
14 include in the 2016 Work Plan for the Program Evaluation Division of the General Assembly an
15 examination of other states that have implemented a normal retirement age for a pension system
16 that was already in place and shall compare various elements of the total compensation and benefit
17 package for the employees covered by each state's pension system to the employees covered by
18 the pension systems amended in this section. The elements examined shall include the items
19 outlined below.

- 20 (1) The normal retirement age and years of service thresholds recently
21 implemented by each pension system for each employee group.
- 22 (2) An analysis of the total value of retirement benefits for State government
23 employees, teachers, and law enforcement officer members of the North
24 Carolina Teachers' and State Employees' Retirement System as compared to the
25 average value of retirement benefits offered by other state governments that
26 have implemented a normal retirement age.
- 27 (3) An analysis of the total value of retirement benefits for members of the North
28 Carolina Local Governmental Employees' Retirement System as compared to
29 the average value of retirement benefits offered by local governments in other
30 states that have implemented a normal retirement age.
- 31 (4) An analysis of the total value of retirement benefits for members of the North
32 Carolina Consolidated Judicial Retirement System as compared to the average
33 value of retirement benefits offered to similar employees in other states that
34 have implemented a normal retirement age.
- 35 (5) An analysis of employee, retiree, and dependent medical insurance subsidies
36 that the State provides employees compared to those subsidies offered by other
37 states that have implemented a normal retirement age.
- 38 (6) An analysis of recent changes in various elements of the salary structure
39 including cost of living adjustments, performance pay increases, vacation and
40 sick leave benefits, and the existence of longevity for other states that have
41 implemented a normal retirement age.

42 The Program Evaluation Division shall submit its findings and recommendations to the
43 Joint Legislative Program Evaluation Oversight Committee, the Joint Legislative Commission on

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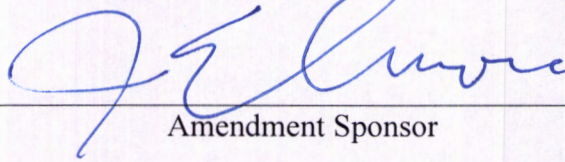
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- 1 Governmental Operations, and the Fiscal Research Division on a date to be determined by the
2 Joint Legislative Program Evaluation Oversight Committee."
3 **SECTION 3. (o)** Subsection (n) of this section becomes effective when it becomes
4 law. The remainder of the section becomes effective January 1, 2017. "

SIGNED _____



Amendment Sponsor

SIGNED _____

Committee Chair if Senate Committee Amendment

ADOPTED _____

FAILED _____

TABLED _____



PENSION SPIKING INVOICES SENT AS OF 5/16/2016				
RETIREMENT SYSTEM	RETIREMENT DATE	INVOICE AMOUNT	INVOICE STATUS	AGENCY
TSERS	7/1/2015	\$65,682		ALEXANDER COUNTY SCHOOLS
TSERS	3/1/2016	\$44,222	Paid	ASHEBORO CITY SCHOOLS
LGERS	3/1/2015	\$214,799	Paid	BUNCOMBE COUNTY
LGERS	1/1/2016	\$85,528	Paid	BUNCOMBE COUNTY
TSERS	5/1/2015	\$208,406	Paid	CABARRUS COUNTY SCHOOLS
TSERS	2/1/2015	\$124,684	Paid	CAPE FEAR COMMUNITY COLLEGE
TSERS	6/1/2015	\$7,329	Paid	CHARLOTTE-MECK COUNTY SCHOOLS
LGERS	3/1/2016	\$37,479	Paid	CITY OF GREENSBORO
LGERS	3/1/2016	\$79,994	Paid	CITY OF HIGH POINT
LGERS	1/1/2016	\$93,897		CITY OF RALEIGH HOUSING AUTHORITY
TSERS	10/1/2015	\$30,107	Paid	CURRITUCK COUNTY SCHOOLS
TSERS	7/1/2015	\$5,067	Paid	DEPARTMENT OF COMMERCE
TSERS	1/1/2016	\$10,048	Paid	DURHAM PUBLIC SCHOOLS
TSERS	10/1/2015	\$62,367	Paid	EAST CAROLINA UNIVERSITY
TSERS	7/1/2015	\$93,894	Paid	EDGEcombe COUNTY SCHOOLS
LGERS	7/1/2015	\$11,493	Paid	GASTON COUNTY
TSERS	12/1/2015	\$8,351		HEALTH & HUMAN SERVICES
TSERS	7/1/2015	\$9,404	Paid	HERTFORD COUNTY SCHOOLS
TSERS	8/1/2015	\$151,487	Paid	HICKORY CITY SCHOOLS
TSERS	3/1/2016	\$435,914		JOHNSTON COUNTY SCHOOLS
TSERS	1/1/2016	\$65,370		LENOIR COUNTY SCHOOLS
LGERS	1/1/2015	\$83,261	Paid	MECKLENBURG COUNTY
LGERS	9/1/2015	\$8,816	Paid	MECKLENBURG COUNTY ABC BOARD
TSERS	1/1/2015	\$26,981	Paid	NC STATE UNIVERSITY
TSERS	7/1/2015	\$5,858	Paid	PAMLICO COUNTY SCHOOLS
TSERS	9/1/2015	\$88,568	Paid	PENDER COUNTY SCHOOLS
TSERS	1/1/2016	\$43,730		PERQUIMANS COUNTY SCHOOLS
TSERS	7/1/2015	\$262,833		ROBESON COUNTY SCHOOLS
LGERS	3/1/2016	\$48,455		TOWN OF CARY
TSERS	12/1/2015	\$46,834	Paid	UNC CHAPEL HILL
TSERS	7/1/2015	\$13,316	Paid	UNC HEALTH CARE SYSTEM
TSERS	11/1/2015	\$41,897	Paid	UNC HEALTH CARE SYSTEM
TSERS	1/1/2016	\$67,488	Paid	UNC HEALTH CARE SYSTEM
TSERS	1/1/2015	\$252,614	Paid	WESTERN CAROLINA UNIVERSITY
TSERS	3/1/2016	\$583,354		WILKES COUNTY SCHOOLS
	Subtotal	\$3,419,527		
Invoices sent, but still subject to adjustment by employer payroll adjustments				
TSERS	4/1/2016	\$22,586		COMMUNITY COLLEGES ADMINISTRATION
LGERS	4/1/2016	\$197,233	Paid	EASTPOINTE HUMAN SERVICES
LGERS	4/1/2016	\$87,446	Paid	MECKLENBURG EMER MED SVCS AGCY
TSERS	4/1/2016	\$313,104		UNC GENERAL ADMINISTRATION
TSERS	5/1/2016	\$135,926		APPALACHIAN STATE UNIVERSITY
TSERS	5/1/2016	\$2,817	Paid	DURHAM PUBLIC SCHOOLS
TSERS	5/1/2016	\$13,063		EAST CAROLINA UNIVERSITY
TSERS	6/1/2016	\$512,867		UNION COUNTY SCHOOLS
TSERS	7/1/2016	\$102,629		HENDERSON COUNTY SCHOOLS
TSERS	7/1/2016	\$43,914		UNC ASHEVILLE
TSERS	7/1/2016	\$1,074,465		UNC HEALTH CARE SYSTEM
	Subtotal	\$2,506,051		
	Grand Total	\$5,925,577		



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 1134

Short Title: Admin. Changes Retirement System/Treasurer.

(Public)

Sponsors: Representatives McNeill and Ross (Primary Sponsors).

For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Pensions and Retirement

May 23, 2016

A BILL TO BE ENTITLED
AN ACT TO MAKE ADMINISTRATIVE CHANGES TO THE RETIREMENT SYSTEM AND
TO MAKE OTHER CHANGES AFFECTING THE STATE TREASURER.

The General Assembly of North Carolina enacts:

SECTION 1.(a) G.S. 58-86-2 is amended by adding a new subdivision to read:

"(9a) "Killed in the line of duty" has the same meaning as in G.S. 143-166.2(c)."

SECTION 1.(b) G.S. 58-86-55 is amended by adding a new subsection to read:

"(d1) Benefits shall be paid in the following manner when a member is killed in the line of duty and the requirements of Article 12A of Chapter 143 of the General Statutes are met:

(1) If the member had been receiving a monthly pension fund benefit prior to being killed in the line of duty, there shall be paid to the member's principal beneficiary, if only one principal beneficiary is eligible, an amount of one hundred seventy dollars (\$170.00) per month beginning the month following the member's month of death payable for 300 months or until the beneficiary's death, whichever occurs first.

(2) If the member had been receiving a monthly pension fund benefit prior to being killed in the line of duty and the beneficiary is not payable as described in subdivision (1) of this section, a lump sum payment equal to the difference between the amount paid into the member's separate account by or on behalf of the member and the amount received by the member as a pensioner will be paid to the eligible beneficiaries, or if there are no eligible beneficiaries, shall be paid to the member's estate.

(3) If the member had not yet begun receiving a monthly benefit prior to being killed in the line of duty, there shall be paid to the member's principal beneficiary, if only one principal beneficiary is eligible, an amount of one hundred seventy dollars (\$170.00) per month beginning the month following the month the member would have attained age 55, or if the member had already attained age 55, beginning the month following the member's month of death, payable for 300 months or until the beneficiary's death, whichever occurs first.

(4) If the member had not begun receiving a monthly benefit prior to being killed in the line of duty and the beneficiary is not payable as described in subdivision (3) of this section, a lump sum payment equal to the member's contributions will be paid to the eligible beneficiaries, or if there are no eligible beneficiaries, a return of the contributions shall be paid to the member's estate.



* H 1 1 3 4 - V - 1 *

1 A beneficiary under this subsection shall not be required to make the monthly payment of ten
2 dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40 after the member has been killed
3 in the line of duty."

4 **SECTION 1.(c)** G.S. 58-86-60 reads as rewritten:

5 **"§ 58-86-60. Payments in lump sums.**

6 The board shall direct payment in lump sums from the fund in the following cases:

- 7 (1) To any firefighter or rescue squad worker upon the attaining of the age of 55
8 years, who, for any reason, is not qualified to receive the monthly retirement
9 pension and who was enrolled as a member of the fund, an amount equal to the
10 amount paid into the fund by him. This provision shall not be construed to
11 preclude any active firefighter or rescue squad worker from completing the
12 requisite number of years of active service after attaining the age of 55 years
13 necessary to entitle the firefighter or rescue squad worker to the pension.
- 14 (2) If any firefighter or rescue squad worker ~~dies~~dies, ~~except if the individual is~~
15 ~~killed in the line of duty~~, before attaining the age at which a pension is payable
16 to the firefighter or rescue squad worker under the provisions of this Article,
17 there shall be paid to his or her surviving spouse, or if there be no surviving
18 spouse, to the person responsible for his or her child or children, or if there be
19 no surviving spouse or children, then to his or her heirs at law as may be
20 determined by the board or to his or her estate, if it is administered and there are
21 no heirs, to the person or persons designated by the member, or if the member
22 has not designated a beneficiary, to the surviving spouse of the deceased
23 member, or if not survived by a designated beneficiary or spouse, to the
24 deceased member's legal representative, an amount equal to the amount paid
25 into the member's separate account by or on behalf of the said firefighter or
26 rescue squad worker.
- 27 (3) If any firefighter or rescue squad worker ~~dies~~dies, ~~except if the individual is~~
28 ~~killed in the line of duty~~, after beginning to receive the pension payable to the
29 firefighter or rescue squad worker by this Article, and before receiving an
30 amount equal to the amount paid into the fund by him or her, there shall be paid
31 to his or her surviving spouse, or if there be no surviving spouse, then to the
32 person responsible for his or her child or children, or if there be no surviving
33 spouse or children, then to his or her heirs at law as may be determined by the
34 board or to his or her estate, if it is administered and there are no heirs, to the
35 person or persons designated by the member, or if the member has not
36 designated a beneficiary, to the surviving spouse of the deceased retired
37 member, or if not survived by a designated beneficiary or spouse, to the
38 deceased retired member's legal representative, an amount equal to the
39 difference between the amount paid into the member's separate account by or
40 on behalf of the said firefighter or rescue squad worker and the amount received
41 by him or her as a pensioner.
- 42 (4) Any member who withdraws from the fund shall, upon proper application, be
43 paid all moneys without accumulated earnings on the payments after the time
44 they were made. A member may not purchase time under G.S. 58-86-45 for
45 which he or she has received a refund."

46 **SECTION 1.(d)** This section becomes effective July 1, 2018, and applies to benefits
47 paid when a member is killed in the line of duty on or after that date.

48 **SECTION 2.(a)** G.S. 58-86-90 reads as rewritten:

49 **"§ 58-86-90. Exemptions of pensions from attachment; rights nonassignable.**

50 Except for the applications of the provisions of G.S. 110-136, and in connection with a
51 court-ordered equitable distribution under G.S. 50-20, the pensions provided are not subject to

1 attachment, garnishments or judgments against the firefighter or rescue squad worker entitled to
2 them, nor are any rights in the fund or the pensions or benefits assignable. Notwithstanding any
3 provisions to the contrary, any overpayment of benefits to a member in a State-administered
4 retirement system, the Disability Salary Continuation Plan, or the Disability Income Plan of North
5 Carolina, including any benefits paid to, or State Health Plan premiums paid on behalf of, any
6 member who is later determined to have been ineligible for those benefits, may be offset against
7 any retirement allowance, return of contributions, or any other right accruing under this Article to
8 the same person, the person's estate, or designated beneficiary."

9 **SECTION 2.(b)** G.S. 135-5(n) reads as rewritten:

10 "(n) No action shall be commenced against the State or the Retirement System by any
11 retired member or beneficiary respecting any deficiency in the payment of benefits more than
12 three years after such deficient payment was made, and no action shall be commenced by the State
13 or the Retirement System against any retired member or former member or beneficiary respecting
14 any overpayment of benefits or contributions more than three years after such overpayment was
15 made. This subsection does not affect the right of the Retirement System to recoup overpaid
16 benefits as provided in G.S. 135-9."

17 **SECTION 2.(c)** G.S. 128-27(i) reads as rewritten:

18 "(i) No action shall be commenced against the State or the Retirement System by any
19 retired member or beneficiary respecting any deficiency in the payment of benefits more than
20 three years after such deficient payment was made, and no action shall be commenced by the State
21 or the Retirement System against any retired member or former member or beneficiary respecting
22 any overpayment of benefits or contributions more than three years after such overpayment was
23 made. This subsection does not affect the right of the Retirement System to recoup overpaid
24 benefits as provided in G.S. 128-31."

25 **SECTION 2.(d)** This section becomes effective January 1, 2017.

26 **SECTION 3.(a)** G.S. 135-1 is amended by adding a new subdivision to read:

27 "(14a) "Normal retirement age" shall mean, only for persons who became members on
28 or after January 1, 2017:

- 29 a. For members who are not law enforcement officers or eligible former
30 law enforcement officers, (i) 55 years of age or older with 30 years of
31 creditable service, (ii) 60 years of age or older with 25 years of
32 creditable service, or (iii) 65 years of age or older with five years of
33 membership service.
34 b. For members who are law enforcement officers or eligible former law
35 enforcement officers, 50 years of age or older with 30 years of
36 creditable service or 55 years of age or older with five years of
37 membership service."

38 **SECTION 3.(b)** G.S. 135-5(a) reads as rewritten:

39 "(a) Service Retirement Benefits.

40 (1) Any member may retire upon electronic submission or written application to
41 the Board of Trustees setting forth at what time, as of the first day of a calendar
42 month, not less than one day nor more than 120 days subsequent to the
43 execution of and filing thereof, ~~hethe member~~ desires to be retired: Provided,
44 that the said member at the time so specified for ~~his~~the member's retirement
45 shall have attained the age of 60 years and have at least five years of
46 membership service or shall have completed 30 years of creditable service.

47 (1a) Repealed by Session Laws 2014-88, s. 3(b), effective July 30, 2014.

48 (1b) Any member who became a member on or after January 1, 2017, may retire
49 upon electronic submission or written application to the Board of Trustees
50 setting forth at what time, as of the first day of a calendar month, not less than
51 one day nor more than 120 days subsequent to the execution of and filing

thereof, the member desires to be retired; Provided, that the member at the time so specified for the member's retirement shall have attained normal retirement age.

(2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.

(3) Any member who was in service October 8, 1981, who had attained 60 years of age, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired.

(4) Any member who became a member prior to January 1, 2017, who is a law-enforcement ~~officer~~ officer, and who attains age 50 and completes 15 or more years of creditable service in this capacity or who attains age 55 and completes five or more years of creditable service in this capacity, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, ~~he~~ the member desires to be retired; Provided, also, any member who has met the conditions herein required but does not retire, and later becomes a teacher or an employee other than as a law-enforcement officer shall continue to have the right to commence retirement.

(4a) Repealed by Session Laws 2014-88, s. 3(b), effective July 30, 2014.

(4b) Any member who became a member on or after January 1, 2017, who is a law enforcement officer and who has attained normal retirement age, may retire upon electronic submission or written application to Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the extension and filing thereof, the member desires to be retired; provided that any member who has met the conditions herein required but does not retire and later becomes a teacher or an employee other than as a law enforcement officer shall continue to have the right to commence retirement.

...."

SECTION 3.(c) G.S. 135-5(b19) reads as rewritten:

"(b19) Service Retirement Allowance of Members Who Became Members Prior to January 1, 2017, Retiring on or After July 1, 2002. – Upon retirement from service in accordance with subsection (a) or (a1) of this section, on or after July 1, 2002, a member who became a member prior to January 1, 2017, shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after ~~his~~ the member's 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of ~~his~~ the member's average final compensation, multiplied by the number of years of ~~his~~ the member's creditable service.

b. If the member's service retirement date occurs on or after ~~his~~ the member's 50th birthday and before ~~his~~ the member's 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, ~~his~~ the member's retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 135-5(b19)(1)a. reduced by one-third of one percent ($\frac{1}{3}$ of 1%) thereof for each month by which ~~his~~the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained his or her 55th birthday; or
 2. The service retirement allowance as computed under G.S. 135-5(b19)(1)a. reduced by five percent (5%) times the difference between 30 years and ~~his~~the member's creditable service at retirement.
- (2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:
- a. If the member's service retirement date occurs on or after ~~his~~the member's 65th birthday upon the completion of five years of membership service or after the completion of 30 years of creditable service or on or after ~~his~~the member's 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of ~~his~~ average final compensation, multiplied by the number of years of creditable service.
 - b. If the member's service retirement date occurs after ~~his~~the member's 60th birthday and before ~~his~~the member's 65th birthday and prior to ~~his~~the member's completion of 25 years or more of creditable service, ~~his~~the member's retirement allowance shall be computed as in G.S. 135-5(b19)(2)a. but shall be reduced by one-quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each month by which ~~his~~the member's retirement date precedes the first day of the month coincident with or next following ~~his~~the member's 65th birthday.
 - c. If the member's early service retirement date occurs on or after ~~his~~the member's 50th birthday and before ~~his~~the member's 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, ~~his~~the member's early service retirement allowance shall be equal to the greater of:
 1. The service retirement allowance as computed under G.S. 135-5(b19)(2)a. but reduced by the sum of five-twelfths of one percent ($\frac{5}{12}$ of 1%) thereof for each month by which ~~his~~the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained his or her 60th birthday, plus one-quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each month by which ~~his~~the member's 60th birthday precedes the first day of the month coincident with or next following ~~his~~the member's 65th birthday; or
 2. The service retirement allowance as computed under G.S. 135-5(b19)(2)a. reduced by five percent (5%) times the difference between 30 years and ~~his~~the member's creditable service at retirement; or
 3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial

equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b19)(2)b.

- d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1963, shall not receive less than the benefit provided by G.S. 135-5(b)."

SECTION 3.(d) G.S. 135-5 is amended by adding a new subsection to read:

"(b21) Service Retirement Allowance of Members Who Became a Member On or After January 1, 2017. – Upon retirement from service in accordance with subsection (a) or (a1) of this section, a member who became a member on or after January 1, 2017, shall receive the following service retirement allowance:

- (1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member has attained normal retirement age, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of the member's average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs on or after the member's 50th birthday, and before the member's 55th birthday, with 15 or more years of creditable service as a law enforcement officer and prior to completion of 30 years of creditable service, the member's retirement allowance shall be equal to the greater of the following amounts:

1. The service retirement allowance payable under G.S. 135-5(b21)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained age 55.

2. The service retirement allowance as computed under G.S. 135-5(b21)(1)a. reduced by five percent (5%) multiplied by the difference between 30 years and the member's creditable service at retirement.

- (2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member has attained normal retirement age, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of the member's average final compensation multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after the member's 60th birthday and before the member's 65th birthday and prior to the member's completion of 25 years or more of creditable service, the retirement allowance shall be computed as in G.S. 135-5(b21)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the member's 65th birthday.

c. If the member's early service retirement date occurs on or after the member's 50th birthday and before the member's 60th birthday and after completion of 20 years creditable service but prior to the completion of 30 years of creditable service, the early service retirement allowance shall be equal to the greater of the following amounts:

1. The service retirement allowance as computed under G.S. 135-5(b21)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained age 60, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which the member's 60th birthday precedes the first day of the month coincident with or next following the member's 65th birthday.
2. The service retirement allowance as computed under G.S. 135-5(b21)(2)a. reduced by five percent (5%) multiplied by the difference between 30 years and the member's creditable service at retirement."

SECTION 3.(e) G.S. 135-5 is amended by adding a new subsection to read:

"(m5) Survivor's Alternate Benefit. – Upon the death of a member in service, who became a member on or after January 1, 2017, the beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option 2 of subsection (g) of this section computed by assuming that the member had retired on the first day of the month following the date of the member's death, provided that all four of the following conditions apply:

- (1)
 - a. The member had attained such age or creditable service to be eligible to commence retirement with an early or service retirement allowance, or
 - b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with G.S. 135-5(b21)(1)b. or G.S. 135-5(b21)(2)c., notwithstanding the requirement of obtaining age 50, or
 - b1. The member was a law enforcement officer who had obtained 15 years of service as a law enforcement officer and was killed in the line of duty, in which case the retirement allowance shall be computed in accordance with G.S. 135-5(b21)(1)b., notwithstanding the requirement of obtaining age 50.
 - (2) At the time of the member's death, one and only one beneficiary is eligible to receive a return of the member's accumulated contributions.
 - (3) The member had not instructed the Board of Trustees in writing that the member did not wish the provisions of this subsection to apply.
 - (4) The member had not commenced to receive a retirement allowance as provided under this Chapter.

For the purpose of this benefit, a member is considered to be in service at the date of death if the member's death occurs within 180 days from the last day of the member's actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase. The term "in service" as used in this subsection includes a member in receipt of a benefit under the Disability Income Plan as provided in Article 6 of this Chapter.

Notwithstanding the foregoing, a member who is in receipt of Workers' Compensation during the period for which the member would have otherwise been eligible to receive short-term benefits, as provided in G.S. 135-105, and who dies on or after 181 days from the last day of the member's actual service but on or before the date the benefits as provided in G.S. 135-105 would

have ended, shall be considered in service at the time of the member's death for the purpose of this benefit.

For the purpose of calculating this benefit, any terminal payouts made after the date of death that meet the definition of compensation shall be credited to the month prior to the month of death. These terminal payouts do not include salary or wages paid for work performed during the month of death."

SECTION 3.(f) G.S. 128-21 is amended by adding a new subdivision to read:

"(14a) "Normal retirement age" shall mean, only for persons who became members on or after January 1, 2017:

a. For members who are not law enforcement officers or eligible former law enforcement officers, (i) 55 years of age or older with 30 years of creditable service, (ii) 60 years of age or older with 25 years of creditable service, or (iii) 65 years of age or older with five years of membership service.

b. For members who are law enforcement officers or eligible former law enforcement officers, 50 years of age or older with 30 years of creditable service or 55 years of age or older with five years of membership service."

SECTION 3.(g) G.S. 128-27(a) reads as rewritten:

"(a) Service Retirement Benefits. –

(1) Any member may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, ~~he~~the member desires to be retired: Provided, that the said member at the time so specified for ~~his~~the member's retirement shall have attained the age of 60 years and have at least five years of creditable service or shall have completed 30 years of creditable service, or if a firefighter or rescue squad worker, ~~he~~the member shall have attained the age of 55 years and have at least five years of creditable service.

(1b) Any member who became a member on or after January 1, 2017, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution of and filing thereof, the member desires to be retired; Provided, that the member at the time so specified for the member's retirement shall have attained normal retirement age.

(2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.

(3) Repealed by Session Laws 1971, c. 325, s. 12.

(4) Any member who was in service October 8, 1981, who had attained 60 years of age, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, ~~he~~ desires to be retired.

(5) Any member who became a member prior to January 1, 2017, who is a law enforcement officer, and who attains age 50 and completes 15 or more years of creditable service in this capacity or who attains age 55 and completes five or more years of creditable service in this capacity, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, ~~he~~the member desires to be retired; provided, also, any member who has met the conditions

required by this subdivision but does not retire, and later becomes an employee other than as a law enforcement officer, continues to have the right to commence retirement.

- (6) Any member who became a member on or after January 1, 2017, who is a law enforcement officer and who has attained normal retirement age may retire upon electronic submission or written application to Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the extension and filing thereof, the member desires to be retired; provided that any member who has met the conditions herein required but does not retire and later becomes a teacher or an employee other than as a law enforcement officer shall continue to have the right to commence retirement."

SECTION 3.(h) G.S. 128-27(b1) reads as rewritten:

"(b21) Service Retirement Allowance of Member Who Became a Member Prior to January 1, 2017, Retiring on or After July 1, 2003. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2003, a member who became a member prior to January 1, 2017, shall receive the following service retirement allowance:

- (1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:
- a. If the member's service retirement date occurs on or after ~~his~~the member's 55th birthday and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-five hundredths percent (1.85%) of ~~his~~the member's average final compensation, multiplied by the number of years of ~~his~~the member's creditable service.
 - b. If the member's service retirement date occurs on or after ~~his~~the member's 50th birthday and before ~~his~~the member's 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, ~~his~~the member's retirement allowance shall be equal to the greater of:
 1. The service retirement allowance payable under G.S. 128-27(b21)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which ~~his~~the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained ~~his or her~~ 55th birthday;
 2. The service retirement allowance as computed under G.S. 128-27(b21)(1)a. reduced by five percent (5%) times the difference between 30 years and ~~his~~the member's creditable service at retirement.
- (2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:
- a. If the member's service retirement date occurs on or after ~~his~~the member's 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after ~~his~~the member's 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-five

- 1 hundredths percent (1.85%) of average final compensation, multiplied
2 by the number of years of creditable service.
- 3 b. If the member's service retirement date occurs after ~~his~~the member's
4 60th birthday and before ~~his~~the member's 65th birthday and prior to
5 ~~his~~the member's completion of 25 years or more of creditable service,
6 ~~his~~the member's retirement allowance shall be computed as in
7 G.S. 128-27(b21)(2)a. but shall be reduced by one-quarter of one
8 percent (1/4 of 1%) thereof for each month by which ~~his~~the member's
9 retirement date precedes the first day of the month coincident with or
10 next following ~~his~~the member's 65th birthday.
- 11 c. If the member's early service retirement date occurs on or after ~~his~~the
12 member's 50th birthday and before ~~his~~the member's 60th birthday and
13 after completion of 20 years of creditable service but prior to the
14 completion of 30 years of creditable service, ~~his~~the member's early
15 service retirement allowance shall be equal to the greater of:
- 16 1. The service retirement allowance as computed under
17 G.S. 128-27(b21)(2)a. but reduced by the sum of five-twelfths of
18 one percent (5/12 of 1%) thereof for each month by which ~~his~~the
19 member's retirement date precedes the first day of the month
20 coincident with or next following the month the member would
21 have attained his or her 60th birthday, plus one-quarter of one
22 percent (1/4 of 1%) thereof for each month by which ~~his~~the
23 member's 60th birthday precedes the first day of the month
24 coincident with or next following ~~his~~the member's 65th birthday;
25 or
- 26 2. The service retirement allowance as computed under
27 G.S. 128-27(b21)(2)a. reduced by five percent (5%) times the
28 difference between 30 years and ~~his~~the member's creditable
29 service at retirement; or
- 30 3. If the member's creditable service commenced prior to July 1,
31 1995, the service retirement allowance equal to the actuarial
32 equivalent of the allowance payable at the age of 60 years as
33 computed in G.S. 128-27(b21)(2)b.
- 34 d. Notwithstanding the foregoing provisions, any member whose
35 creditable service commenced prior to July 1, 1965, shall not receive
36 less than the benefit provided by G.S. 128-27(b)."

37 **SECTION 3.(i)** G.S. 128-27 is amended by adding a new subsection to read:

38 "(b22) Service Retirement Allowance of Members Who Became a Member On or After
39 January 1, 2017. – Upon retirement from service in accordance with subsection (a) or (a1) of this
40 section, a member who became a member on or after January 1, 2017, shall receive the following
41 service retirement allowance:

- 42 (1) A member who is a law enforcement officer or an eligible former law
43 enforcement officer shall receive a service retirement allowance computed as
44 follows:
- 45 a. If the member has attained normal retirement age, the allowance shall be
46 equal to one and eighty-five hundredths percent (1.85%) of the
47 member's average final compensation, multiplied by the number of
48 years of creditable service.
- 49 b. If the member's service retirement date occurs on or after the member's
50 50th birthday, and before the member's 55th birthday, with 20 or more
51 years of creditable service as a law enforcement officer and prior to

completion of 30 years of creditable service, the member's retirement allowance shall be equal to the greater of the following amounts:

1. The service retirement allowance payable under G.S. 128-27(b22)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained age 55.
2. The service retirement allowance as computed under G.S. 128-27(b22)(1)a. reduced by five percent (5%) multiplied by the difference between 30 years and the member's creditable service at retirement.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

- a. If the member has attained normal retirement age, the allowance shall be equal to one and eighty-five hundredths percent (1.85%) of the member's average final compensation multiplied by the number of years of creditable service.
- b. If the member's service retirement date occurs after the member's 60th birthday and before the member's 65th birthday and prior to the member's completion of 25 years or more of creditable service, the retirement allowance shall be computed as in G.S. 128-27(b22)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the member's 65th birthday.
- c. If the member's early service retirement date occurs on or after the member's 50th birthday and before the member's 60th birthday and after completion of 20 years creditable service but prior to the completion of 30 years of creditable service, the early service retirement allowance shall be equal to the greater of the following amounts:
 1. The service retirement allowance as computed under G.S. 128-27(b22)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained age 60, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which the member's 60th birthday precedes the first day of the month coincident with or next following the member's 65th birthday.
 2. The service retirement allowance as computed under G.S. 128-27(b22)(2)a. reduced by five percent (5%) times the difference between 30 years and the member's creditable service at retirement.
 3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed under G.S. 128-27(b22)(2)b."

SECTION 3.(j) G.S. 128-27 is amended by adding a new subsection to read:

"(m4) Survivor's Alternate Benefit. – Upon the death of a member in service, the beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive

1 in lieu thereof the reduced retirement allowance provided by Option two of subsection (g) of this
2 section computed by assuming that the member had retired on the first day of the month following
3 the date of the member's death, provided that all four of the following conditions apply:

- 4 (1) a. The member had attained such age or creditable service to be eligible to
5 commence retirement with an early or service retirement allowance, or
6 b. The member had obtained 20 years of creditable service in which case
7 the retirement allowance shall be computed in accordance with
8 G.S. 128-27(b22)(1)b. or G.S. 128-27(b22)(2)c., notwithstanding the
9 requirement of obtaining age 50, or
10 bl. The member was a law enforcement officer who had obtained 15 years
11 of service as a law enforcement officer and was killed in the line of
12 duty, or the member was a firefighter or a rescue squad worker who had
13 obtained 15 years of service as a firefighter or a rescue squad worker
14 and was killed in the line of duty, in which cases the retirement
15 allowance shall be computed in accordance with G.S. 128-27(b22)(1)b.,
16 notwithstanding the requirement of obtaining age 50.
17 (2) At the time of the member's death, one and only one beneficiary is eligible to
18 receive a return of the member's accumulated contributions.
19 (3) The member had not instructed the Board of Trustees in writing that the
20 member did not wish the provisions of this subsection apply.
21 (4) The member had not commenced to receive a retirement allowance as provided
22 under this Chapter.

23 For the purpose of this benefit, a member is considered to be in service at the date of the
24 member's death if the death occurs within 180 days from the last day of the member's actual
25 service. The last day of actual service shall be determined as provided in subsection (l) of this
26 section. Upon the death of a member in service, the surviving spouse may make all purchases for
27 creditable service as provided for under this Chapter for which the member had made application
28 in writing prior to the date of death, provided that the date of death occurred prior to or within 60
29 days after notification of the cost to make the purchase.

30 For the purpose of calculating this benefit, any terminal payouts made after the date of death
31 that meet the definition of compensation shall be credited to the month prior to the month of death.
32 These terminal payouts do not include salary or wages paid for work performed during the month
33 of death."

34 **SECTION 3.(k)** G.S. 135-53 is amended by adding a new subdivision to read:

35 "(12a) "Normal retirement age" shall mean, only for persons who became members on
36 or after January 1, 2017, 55 years of age or older with 30 years of creditable
37 service or 65 years of age or older with five years of membership service."

38 **SECTION 3.(l)** G.S. 135-58 reads as rewritten:

39 "**§ 135-58. Service retirement benefits.**

40 ...

41 (a6) Any member who became a member prior to January 1, 2017, and who retires under
42 the provisions of G.S. 135-57(a) or G.S. 135-57(c) on or after July 1, 2008, after the member has
43 either attained the member's 65th birthday or has completed 24 years or more of creditable service,
44 shall receive an annual retirement allowance, payable monthly, which shall commence on the
45 effective date of the member's retirement and shall be continued on the first day of each month
46 thereafter during the member's lifetime, the amount of which shall be computed as the sum of the
47 amounts in subdivisions (1), (2), (3), (4), and (5) of this subsection, provided that in no event shall
48 the annual allowance payable to any member be greater than an amount which, when added to the
49 allowance, if any, to which the member is entitled under the Teachers' and State Employees'
50 Retirement System, the Legislative Retirement System, or the Local Governmental Employees'

1 Retirement System (prior in any case to any reduction for early retirement or for an optional mode
2 of payment), would total three-fourths of the member's final compensation:

- 3 (1) Four and two hundredths percent (4.02%) of the member's final compensation,
4 multiplied by the number of years of creditable service rendered as a justice of
5 the Supreme Court, a judge of the Court of Appeals, or the Director of the
6 Administrative Office of the Courts;
- 7 (2) Three and fifty-two hundredths percent (3.52%) of the member's final
8 compensation, multiplied by the number of years of creditable service rendered
9 as a judge of the superior court;
- 10 (3) Three and two hundredths percent (3.02%) of the member's final compensation,
11 multiplied by the number of years of creditable service rendered as a judge of
12 the district court, district attorney, clerk of superior court, public defender, or
13 the Director of Indigent Defense Services;
- 14 (4) A service retirement allowance computed in accordance with the service
15 retirement provisions of Article 3 of Chapter 128 of the General Statutes using
16 an average final compensation as defined in G.S. 135-53(2a) and creditable
17 service equal to the number of years of the member's creditable service that was
18 transferred from the Local Governmental Employees' Retirement System to this
19 System as provided in G.S. 135-56; and
- 20 (5) A service retirement allowance computed in accordance with the service
21 retirement provisions of Article 1 of this Chapter using an average final
22 compensation as defined in G.S. 135-53(2a) and creditable service, including
23 any sick leave standing to the credit of the member, equal to the number of
24 years of the member's creditable service that was transferred from the Teachers'
25 and State Employees' Retirement System or the Legislative Retirement System
26 to this System as provided in G.S. 135-56.

27 (a7) Any member who became a member on or after January 1, 2017, who retires under the
28 provisions of G.S. 135-57(a) or G.S. 135-57(c) after the member has attained normal retirement
29 age shall receive an annual retirement allowance, payable monthly, which shall commence on the
30 effective date of the member's retirement and shall be continued on the first day of each month
31 thereafter during the member's lifetime, the amount of which shall be computed as the sum of the
32 amounts in subdivisions (1), (2), (3), (4), and (5) of this subsection, provided that in no event shall
33 the annual allowance payable to any member be greater than an amount which, when added to the
34 allowance, if any, to which the member is entitled under the Teachers' and State Employees'
35 Retirement System, the Legislative Retirement System, or the Local Governmental Employees'
36 Retirement System (prior in any case to any reduction for early retirement or for an optional mode
37 of payment), would total three-fourths of the member's final compensation:

- 38 (1) Four and two hundredths percent (4.02%) of the member's final compensation,
39 multiplied by the number of years of creditable service rendered as a justice of
40 the Supreme Court, a judge of the Court of Appeals, or the Director of the
41 Administrative Office of the Courts;
- 42 (2) Three and fifty-two hundredths percent (3.52%) of the member's final
43 compensation, multiplied by the number of years of creditable service rendered
44 as a judge of the superior court;
- 45 (3) Three and two hundredths percent (3.02%) of the member's final compensation,
46 multiplied by the number of years of creditable service rendered as a judge of
47 the district court, district attorney, clerk of superior court, public defender, or
48 the Director of Indigent Defense Services;
- 49 (4) A service retirement allowance computed in accordance with the service
50 retirement provisions of Article 3 of Chapter 128 of the General Statutes using
51 an average final compensation as defined in G.S. 135-53(2a) and creditable

1 service equal to the number of years of the member's creditable service that was
2 transferred from the Local Governmental Employees' Retirement System to this
3 System as provided in G.S. 135-56; and

- 4 (5) A service retirement allowance computed in accordance with the service
5 retirement provisions of Article 1 of this Chapter using an average final
6 compensation as defined in G.S. 135-53(2a) and creditable service, including
7 any sick leave standing to the credit of the member, equal to the number of
8 years of the member's creditable service that was transferred from the Teachers'
9 and State Employees' Retirement System or the Legislative Retirement System
10 to this System as provided in G.S. 135-56.

11 (b) Any member who became a member prior to January 1, 2017, who retires under the
12 provisions of subsection (a) or subsection (c) of G.S. 135-57 before ~~he~~the member either has
13 attained his or her sixty-fifth birthday or has completed 24 years of creditable service shall receive
14 an annual retirement allowance, payable monthly, which shall commence on the effective date of
15 ~~his~~the member's retirement and shall be continued on the first day of each month thereafter during
16 ~~his~~the member's lifetime, the amount of which shall be determined in the same manner and be
17 subject to the same maximum limitation as provided for in subsection (a) above except that the
18 allowance so computed shall be reduced by one quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each
19 month by which the member's retirement date precedes the first day of the month coincident with
20 or next following the earlier of

- 21 (1) The member's sixty-fifth birthday or
22 (2) The date the member would have completed 24 years of creditable service if
23 ~~he~~the member had been in membership service from his or her retirement date
24 until such date.

25 For the sole purpose of determining whether a member has completed the required 24 years of
26 creditable service referred to in this subsection (b) or the date on which ~~he~~the member would have
27 completed such period of creditable service if ~~he~~the member had remained in membership service,
28 in the case of a member of the Teachers' and State Employees' Retirement System who became a
29 member of this Retirement System under circumstances described in G.S. 135-28.1, and who at
30 the time of ~~his~~the member's retirement hereunder is in service and has retained his or her
31 membership in the Teachers' and State Employees' Retirement System as provided for in
32 G.S. 135-28.1, ~~his~~the member's creditable service shall be taken as the sum of ~~his~~the member's
33 creditable service hereunder plus the amount of creditable service remaining to ~~his~~the member's
34 credit in such other system as provided for in G.S. 135-28.1.

35 (b1) Any member who became a member on or after January 1, 2017, who retires under the
36 provisions of subsection (a) or subsection (c) of G.S. 135-57 before the member has attained
37 normal retirement age shall receive an annual retirement allowance, payable monthly, which shall
38 commence on the effective date of the member's retirement and shall be continued on the first day
39 of each month thereafter during the member's lifetime, the amount of which shall be determined in
40 the same manner and be subject to the same maximum limitation as provided for in subsection (a)
41 of this section except that the allowance so computed shall be reduced by one quarter of one
42 percent ($\frac{1}{4}$ of 1%) thereof for each month by which the member's retirement date precedes the
43 first day of the month coincident with or next following the month the member would have
44 attained normal retirement age had the member continued working.

45 For the sole purpose of determining whether a member has completed the required 30 years of
46 creditable service referred to in this subsection or the date on which the member would have
47 completed such period of creditable service if the member had remained in membership service, in
48 the case of a member of the Teachers' and State Employees' Retirement System who became a
49 member of this Retirement System under circumstances described in G.S. 135-28.1, and who at
50 the time of the member's retirement hereunder is in service and has retained his or her membership
51 in the Teachers' and State Employees' Retirement System as provided for in G.S. 135-28.1, the

member's creditable service shall be taken as the sum of the member's creditable service hereunder plus the amount of creditable service remaining to the member's credit in such other system as provided for in G.S. 135-28.1.

...."

SECTION 3.(m) G.S. 135-74(c1) reads as rewritten:

"(c1) A member who has contributions in this System and is not eligible for a retirement benefit as set forth in G.S. 135-58(a6) or G.S. 135-58(a7) shall be paid his or her contributions in a lump sum as provided in G.S. 135-62 by April 1 of the calendar year following the later of the calendar year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be a judge, district attorney, public defender, the Director of Indigent Defense Services, or clerk of superior court as provided in G.S. 135-53, except by death. If such member fails, following reasonable notification, to complete a refund application by such required date, the requirement that a refund application be completed shall be waived and the refund shall be paid without a refund application as a single lump-sum payment with applicable required North Carolina and federal income taxes withheld. For purposes of this subsection, a member shall not be considered to have ceased to be a judge, district attorney, public defender, the Director of Indigent Defense Services, or clerk of superior court as provided in G.S. 135-53 if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System. A lump-sum refund shall not be paid under this subsection if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System.

A member who has contributions in this System and is eligible for a retirement benefit as set forth in G.S. 120-4.21 shall begin to receive a monthly benefit no later than April 1 of the calendar year following the later of the calendar year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be a judge, district attorney, public defender, the Director of Indigent Defense Services, or clerk of superior court as provided in G.S. 135-53, except by death. If such member fails, following reasonable notification, to complete the retirement process as set forth under Chapter 120 of the General Statutes by such required beginning date, the requirement that a retirement application and an election of payment plan form be completed shall be waived and the retirement allowance shall be paid as a single life annuity. The single life annuity shall be calculated and processed in accordance with G.S. 120-4.21. For purposes of this subsection, a member shall not be considered to have ceased to be a judge, district attorney, public defender, the Director of Indigent Defense Services, or clerk of superior court as provided in G.S. 135-53 if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System. A retirement benefit shall not be paid under this subsection if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System."

SECTION 3.(n) This section becomes effective January 1, 2017.

SECTION 4.(a) G.S. 135-1(7b) is recodified as G.S. 135-1(7c).

SECTION 4.(b) G.S. 135-1, as amended by Section 3(a) of this act, is amended by adding a new subdivision to read:

"(7b) "Compliance investigation" shall mean an independent review or examination by Retirement Systems Division staff or authorized representatives who are assisting the Retirement Systems Division staff of records, activities, actions, or decisions by employers or other affiliated or associated entities having an impact on the Retirement System. The purpose of a compliance investigation is to help detect errors and ensure compliance and full accountability in the use of pension funds."

SECTION 4.(c) G.S. 135-1(11b) reads as written:

"(11b) "Fraud investigation" means an independent review or examination by Retirement Systems Division staff or authorized representatives who are assisting the Retirement Systems Division staff of records, activities, actions, or decisions by employers or other affiliated or associated entities having an impact on the Retirement System. The purpose of a fraud investigation is to help detect and prevent fraud and to ensure full accountability in the use of pension funds."

SECTION 4.(d) G.S. 135-6 reads as rewritten:

"§ 135-6. Administration.

...

(q) Compliance Investigations and Fraud Investigations – Access to Persons and Records. In the course of conducting a compliance investigation or a fraud investigation, the Retirement Systems Division, or authorized representatives who are assisting the Retirement Systems Division staff, shall:

- (1) Have ready access to persons and may examine and copy all books, records, reports, vouchers, correspondence, files, personnel files, investments, and any other documentation of any employer. The review of State tax returns shall be limited to matters of official business, and the Division's report shall not violate the confidentiality provisions of tax laws.
- (2) Have such access to persons, records, papers, reports, vouchers, correspondence, books, and any other documentation that is in the possession of any individual, private corporation, institution, association, board, or other organization that pertain to the following:
 - a. Amounts received pursuant to a grant or contract from the federal government, the State, or its political subdivisions.
 - b. Amounts received, disbursed, or otherwise handled on behalf of the federal government or the State.
- (3) Have the authority, and shall be provided with ready access, to examine and inspect all property, equipment, and facilities in the possession of any employer agency or any individual, private corporation, institution, association, board, or other organization that were furnished or otherwise provided through grant, contract, or any other type of funding by the employer agency.

With respect to the requirements of sub-subdivision (2)b. of this subsection, providers of social and medical services to a beneficiary shall make copies of records they maintain for services provided to a beneficiary available to the Retirement Systems Division, or to the authorized representatives who are assisting the Retirement Systems Division staff. Copies of the records of social and medical services provided to a beneficiary will permit verification of the health or other status of a beneficiary as required for the payment of benefits under Article 1, Article 4, or Article 6 of this Chapter. The Retirement Systems Division, or authorized representatives who are assisting the Retirement Systems Division staff, shall request records in writing by providing the name of each beneficiary for whom records are sought, the purpose of the request, the statutory authority for the request, and a reasonable period of time for the production of record copies by the provider. A provider may charge, and the Retirement Systems Division, or authorized representatives who are assisting the Retirement Systems Division staff, shall, in accordance with G.S. 90-411, pay a reasonable fee to the provider for copies of the records provided in accordance with this subsection.

(r) Compliance or Fraud Investigative Reports and Work Papers. – The Director of the Retirement Systems Division shall maintain for 10 years a complete file of all compliance investigative reports, fraud investigative reports and reports of other examinations, investigations, surveys, and reviews issued under the Director's authority. Fraud or compliance investigation work papers and other evidence or related supportive material directly pertaining to the work of

the Retirement Systems Division of the Department of State Treasurer shall be retained according to an agreement between the Director of Retirement and State Archives. To promote intergovernmental cooperation and avoid unnecessary duplication of fraud and compliance investigative effort, and notwithstanding local unit personnel policies to the contrary, pertinent work papers and other supportive material relating to issued fraud or compliance investigation reports may be, at the discretion of the Director of Retirement and unless otherwise prohibited by law, made available for inspection by duly authorized representatives of the State and federal government who desire access to and inspection of such records in connection with some matter officially before them, including criminal investigations. Except as provided in this section, or upon an order issued in Wake County Superior Court upon 10 days' notice and hearing finding that access is necessary to a proper administration of justice, fraud and compliance investigation work papers and related supportive material shall be kept confidential, including any information developed as a part of the investigation.

...."

SECTION 4.(e) G.S. 128-21(7b) is recodified as G.S. 128-21(7c).

SECTION 4.(f) G.S. 128-21, as amended by Section 3(e) of this act, is amended by adding a new subdivision to read:

"(7b) "Compliance investigation" shall mean an independent review or examination by Retirement Systems Division staff or authorized representatives who are assisting the Retirement Systems Division staff of records, activities, actions, or decisions by employers or other affiliated or associated entities having an impact on the Retirement System. The purpose of a compliance investigation is to help detect errors and ensure compliance and full accountability in the use of pension funds."

SECTION 4.(g) G.S. 128-21(11c) reads as rewritten:

"(11c) "Fraud investigation" means an independent review or examination by Retirement Systems Division staff or authorized representatives who are assisting the Retirement Systems Division staff of records, activities, actions, or decisions by employers or other affiliated or associated entities having an impact on the Retirement System. The purpose of a fraud investigation is to help detect and prevent fraud and to ensure full accountability in the use of pension funds."

SECTION 4.(h) G.S. 128-28 reads as rewritten:

"§ 128-28. Administration and responsibility for operation of System.

...

(r) Fraud Investigations and Compliance Investigations – Access to Persons and Records.
– In the course of conducting a fraud investigation or compliance investigation, the Retirement Systems Division, or authorized representatives who are assisting the Retirement Systems Division staff, shall:

- (1) Have ready access to persons and may examine and copy all books, records, reports, vouchers, correspondence, files, personnel files, investments, and any other documentation of any employer. The review of State tax returns shall be limited to matters of official business, and the Division's report shall not violate the confidentiality provisions of tax laws.
- (2) Have such access to persons, records, papers, reports, vouchers, correspondence, books, and any other documentation that is in the possession of any individual, private corporation, institution, association, board, or other organization which pertain to the following:
 - a. Amounts received pursuant to a grant or contract from the federal government, the State, or its political subdivisions.

- 1 b. Amounts received, disbursed, or otherwise handled on behalf of the
2 federal government or the State.
- 3 (3) Have the authority, and shall be provided with ready access, to examine and
4 inspect all property, equipment, and facilities in the possession of any employer
5 agency or any individual, private corporation, institution, association, board, or
6 other organization that were furnished or otherwise provided through grant,
7 contract, or any other type of funding by the employer agency.

8 With respect to the requirements of sub-subdivision (2)b. of this subsection, providers of social
9 and medical services to a beneficiary shall make copies of records they maintain for services
10 provided to a beneficiary available to the Retirement Systems Division, or to the authorized
11 representatives who are assisting the Retirement Systems Division staff. Copies of the records of
12 social and medical services provided to a beneficiary will permit verification of the health or other
13 status of a beneficiary as required for the payment of benefits under Article 3 of this Chapter. The
14 Retirement Systems Division, or authorized representatives who are assisting the Retirement
15 Systems Division staff, shall request records in writing by providing the name of each beneficiary
16 for whom records are sought, the purpose of the request, the statutory authority for the request,
17 and a reasonable period of time for the production of record copies by the provider. A provider
18 may charge, and the Retirement Systems Division, or authorized representatives who are assisting
19 the Retirement Systems Division staff, shall, in accordance with G.S. 90-411, pay a reasonable fee
20 to the provider for copies of the records provided in accordance with this subsection.

21 (s) Fraud Investigative Reports and Work Papers or Compliance Investigative Reports and
22 Work Papers. – The Director of the Retirement Systems Division shall maintain for 10 years a
23 complete file of all fraud investigative ~~reports~~reports, compliance investigative reports, and reports
24 of other examinations, investigations, surveys, and reviews issued under the Director's authority.
25 Fraud investigation work ~~papers~~papers, compliance investigation work papers, and other evidence
26 or related supportive material directly pertaining to the work of the Retirement Systems Division
27 of the Department of State Treasurer shall be retained according to an agreement between the
28 Director of Retirement and State Archives. To promote intergovernmental cooperation and avoid
29 unnecessary duplication of fraud or compliance investigative effort, and notwithstanding local unit
30 personnel policies to the contrary, pertinent work papers and other supportive material relating to
31 issued fraud investigation reports or compliance investigative reports may be, at the discretion of
32 the Director of Retirement and unless otherwise prohibited by law, made available for inspection
33 by duly authorized representatives of the State and federal government who desire access to and
34 inspection of such records in connection with some matter officially before them, including
35 criminal investigations. Except as provided in this section, or upon an order issued in Wake
36 County Superior Court upon 10 days' notice and hearing finding that access is necessary to a
37 proper administration of justice, fraud or compliance investigation work papers and related
38 supportive material shall be kept confidential, including any information developed as a part of the
39 investigation.

40 "

41 **SECTION 5.(a)** G.S. 135-4(jj) reads as rewritten:

42 "(jj) Contribution-Based Benefit Cap Purchase Provision. – If a member's retirement
43 allowance is subject to an adjustment pursuant to the contribution-based benefit cap established in
44 G.S. 128-27(a3), the retirement system shall notify the member and the member's employer that
45 the member's retirement allowance has been capped. The retirement system shall compute and
46 notify the member and the member's employer of the total additional amount the member would
47 need to contribute in order to make the member not subject to the contribution-based benefit cap.
48 This total additional amount shall be the actuarial equivalent of a single life annuity adjusted for
49 the age of the member at the time of retirement, or when appropriate, the age at the time of the
50 member's death that would have had to have been purchased to increase the member's benefit to
51 the pre-cap level. Except as otherwise provided in this subsection, the member shall have until 90

days after notification regarding this additional amount or until 90 days after the effective date of retirement, whichever is later, to submit a lump sum payment to the annuity savings fund in order for the retirement system to restore the retirement allowance to the uncapped amount. Nothing contained in this subsection shall prevent an employer from paying all or part of the cost of the amount necessary to restore the member's retirement allowance to the pre-cap amount. Notwithstanding the requirement that the payment be made as a lump sum, the retirement system may allow an employer of a member who became a member before January 1, 2015, or who has not earned at least five years of membership service in the retirement system after January 1, 2015, to pay the lump-sum amount required in this subsection on an installment payment plan under one of the following two options:

- (1) Option one. – An installment payment plan beginning no less than 90 days after the retirement of the member and ending no lessmore than one-year15 months after the retirement of the member.
- (2) Option two. – An installment payment plan beginning no less than 90 days after the retirement of the member and ending no more than 27 months after the retirement of the member. Interest shall be assessed on the principal amount of the contribution-based benefit cap liability owed and applied to any installment payment plan term exceeding 12 months at a rate corresponding with the interest rate assumption based on the most recent actuarial valuation approved by the Board of Trustees.

Payment under ~~such an~~ both installment ~~plan~~ plans must be completed regardless of whether the member continues to receive a recurring monthly retirement benefit through the end of the installment period."

SECTION 5.(b) G.S. 128-26(y) reads as rewritten:

"(y) Contribution-Based Benefit Cap Purchase Provision. – If a member's retirement allowance is subject to an adjustment pursuant to the contribution-based benefit cap established in G.S. 128-27(a3), the retirement system shall notify the member and the member's employer that the member's retirement allowance has been capped. The retirement system shall compute and notify the member and the member's employer of the total additional amount the member would need to contribute in order to make the member not subject to the contribution-based benefit cap. This total additional amount shall be the actuarial equivalent of a single life annuity adjusted for the age of the member at the time of retirement, or when appropriate, the age at the time of the member's death that would have had to have been purchased to increase the member's benefit to the pre-cap level. Except as otherwise provided in this subsection, the member shall have until 90 days after notification regarding this additional amount or until 90 days after the effective date of retirement, whichever is later, to submit a lump sum payment to the annuity savings fund in order for the retirement system to restore the retirement allowance to the uncapped amount. Nothing contained in this subsection shall prevent an employer from paying all or part of the cost of the amount necessary to restore the member's retirement allowance to the pre-cap amount. Notwithstanding the requirement that the payment be made as a lump sum, the retirement system may allow an employer of a member who became a member before January 1, 2015, or who has not earned at least five years of membership service in the retirement system after January 1, 2015, to pay the lump-sum amount required in this subsection on an installment payment plan under one of the following two options:

- (1) Option one. – An installment payment plan beginning no less than 90 days after the retirement of the member and ending no lessmore than one-year15 months after the retirement of the member.
- (2) Option two. – An installment payment plan beginning no less than 90 days after the retirement of the member and ending no more than 27 months after the retirement of the member. Interest shall be assessed on the principal amount of the contribution-based benefit cap liability owed and applied to any installment

1 payment plan term exceeding 12 months at a rate corresponding with the
2 interest rate assumption based on the most recent actuarial valuation approved
3 by the Board of Trustees.

4 Payment under ~~such an~~ both installment plan plans must be completed regardless of whether the
5 member continues to receive a recurring monthly retirement benefit through the end of the
6 installment period."

7 **SECTION 6.(a)** G.S. 135-5(a3) reads as rewritten:

8 "(a3) Anti-Pension-Spiking Contribution-Based Benefit Cap. – Notwithstanding Chapter
9 150B of the General Statutes and any other provision of this section, every service retirement
10 allowance provided under this section for members who retire on or after January 1, 2015, is
11 subject to adjustment pursuant to a contribution-based benefit cap under this subsection. The
12 Board of Trustees shall adopt a contribution-based benefit cap factor recommended by the actuary,
13 based upon actual experience, such that no more than three-quarters of one percent (0.75%) of
14 retirement allowances are expected to be capped. The Board of Trustees shall modify such factors
15 every five years, as shall be deemed necessary, based upon the five-year experience study as
16 required by G.S. 135-6(n). Prior to establishing a service retirement allowance under this section,
17 the Board shall:

- 18 (1) Determine an amount equal to the member's accumulated contributions as
19 required under G.S. 135-8(b)(1) for all years during which the member earned
20 membership service used in the calculation of the retirement allowance that the
21 member would receive under this section.
- 22 (2) Determine the amount of a single life annuity that is the actuarial equivalent of
23 the amount determined under subdivision (1) of this subsection, adjusted for the
24 age of the member at the time of retirement or, when appropriate, the age at the
25 time of the member's death.
- 26 (3) Multiply the annuity amount determined under subdivision (2) of this
27 subsection by the contribution-based benefit cap factor.
- 28 (4) Determine the amount of the retirement allowance that results from the
29 member's membership service.

30 The product of the multiplication in subdivision (3) of this subsection is the member's
31 contribution-based benefit cap. If the amount determined under subdivision (4) of this subsection
32 exceeds the member's contribution-based benefit cap, the member's retirement allowance shall be
33 reduced by an amount equal to the difference between the contribution-based benefit cap and the
34 amount determined under subdivision (4) of this subsection.

35 Notwithstanding the foregoing, the retirement allowance of a member with an average final
36 compensation of less than one hundred thousand dollars (\$100,000), as hereinafter indexed, shall
37 not be subject to the contribution-based benefit cap. The minimum average final compensation
38 necessary for a retirement allowance to be subject to the contribution-based benefit cap shall be
39 increased on January 1 each year by the percent change between the ~~December~~ June Consumer
40 Price Index in the year prior to retirement and the ~~December~~ June Consumer Price Index in the
41 fiscal year most recently ended, calculated to the nearest tenth of a percent (0.1%), provided that
42 this percent change is positive.

43 Notwithstanding the foregoing, the retirement allowance of a member who became a member
44 before January 1, 2015, or who has not earned at least five years of membership service in the
45 Retirement System after January 1, 2015, shall not be reduced; however, the member's last
46 employer shall be required to make an additional contribution as specified in G.S. 135-8(f)(2)f., if
47 applicable."

48 **SECTION 6.(b)** G.S. 128-27(a3) reads as rewritten:

49 "(a3) Anti-Pension-Spiking Contribution-Based Benefit Cap. – Notwithstanding Chapter
50 150B of the General Statutes and any other provision of this section, every service retirement
51 allowance provided under this section for members who retire on or after January 1, 2015, is

subject to adjustment pursuant to a contribution-based benefit cap under this subsection. The Board of Trustees shall adopt a contribution-based benefit cap factor recommended by the actuary, based upon actual experience, such that no more than three-quarters of one percent (0.75%) of retirement allowances are expected to be capped. The Board of Trustees shall modify such factors every five years, as shall be deemed necessary, based upon the five-year experience study as required by G.S. 128-28(o).

Prior to establishing a service retirement allowance under this section, the Board shall:

- (1) Determine an amount equal to the member's accumulated contributions as required under G.S. 128-30(b)(1) for all years during which the member earned membership service used in the calculation of the retirement allowance that the member would receive under this section.
- (2) Determine the amount of a single life annuity that is the actuarial equivalent of the amount determined under subdivision (1) of this subsection, adjusted for the age of the member at the time of retirement or, when appropriate, the age at the time of the member's death.
- (3) Multiply the annuity amount determined under subdivision (2) of this subsection by the contribution-based benefit cap factor.
- (4) Determine the amount of the retirement allowance that results from the member's membership service.

The product of the multiplication in subdivision (3) of this subsection is the member's contribution-based benefit cap. If the amount determined under subdivision (4) of this subsection exceeds the member's contribution-based benefit cap, the member's retirement allowance shall be reduced by an amount equal to the difference between the contribution-based benefit cap and the amount determined under subdivision (4) of this subsection.

Notwithstanding the foregoing, the retirement allowance of a member with an average final compensation of less than one hundred thousand dollars (\$100,000), as hereinafter indexed, shall not be subject to the contribution-based benefit cap. The minimum average final compensation necessary for a retirement allowance to be subject to the contribution-based benefit cap shall be increased on January 1 each year by the percent change between the ~~December~~June Consumer Price Index in the year prior to retirement and the ~~December~~June Consumer Price Index in the fiscal year most recently ended, calculated to the nearest tenth of a percent (0.1%), provided that this percent change is positive.

Notwithstanding the foregoing, the retirement allowance of a member who became a member before January 1, 2015, or who has not earned at least five years of membership service in the Retirement System after January 1, 2015, shall not be reduced; however, the member's last employer shall be required to make an additional contribution as specified in G.S. 128-30(g)(2)b., if applicable."

SECTION 6.(c) This section is effective when it becomes law and applies retroactively to January 1, 2015.

SECTION 7.(a) G.S. 135-5(f) reads as rewritten:

"(f) Return of Accumulated Contributions. – Should a member cease to be a teacher or State employee except by death or retirement under the provisions of this Chapter, ~~he~~the member shall upon submission of an application be paid, not earlier than 60 days from the date of termination of service, ~~his~~the member's contributions, and the accumulated regular interest thereon, provided that ~~he~~the member has not in the meantime returned to service. Upon payment of such sum ~~his~~or her membership in the System shall cease and, if ~~he~~or she thereafter again becomes a member, no credit shall be allowed for any service previously rendered except as provided in G.S. 135-4, and such payment shall be in full and complete discharge of any rights in or to any benefits otherwise payable hereunder. Upon receipt of proof satisfactory to the Board of Trustees of the death, prior to retirement, of a member or former member there shall be paid to such person or persons as ~~he~~the member or former member shall have nominated by electronic

1 submission ~~prior to completing 10 years of service~~ in a form approved by the Board of Trustees or
2 by written designation duly acknowledged and filed with the Board of Trustees, if such person or
3 persons are living at the time of the member's death, otherwise to the member's legal
4 representatives, the amount of ~~his~~the member's accumulated contributions at the time of ~~his~~the
5 member's death, unless the beneficiary elects to receive the alternate benefit under the provisions
6 of (m) below. An extension service employee who made contributions to the Local Governmental
7 Employees' Retirement System and the Teachers' and State Employees' Retirement System as a
8 result of dual employment may not be paid his or her accumulated contributions unless ~~he~~the
9 extension service employee is eligible to be paid his or her accumulated contributions in both
10 systems for the same period of service.

11 Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the
12 Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated
13 contributions to the Consolidated Judicial Retirement System or to the Supplemental Retirement
14 Income Plan and forfeit any rights in or to any benefits otherwise payable hereunder.

15 A member who is a participant or beneficiary of the Disability Income Plan of North Carolina
16 as is provided in Article 6 of this Chapter shall not be paid a return of accumulated contributions,
17 notwithstanding the member's status as an employee or teacher. Notwithstanding any other
18 provision of law to the contrary, a member who is a beneficiary of the Disability Income Plan of
19 North Carolina as provided in Article 6 of this Chapter and who is receiving disability benefits
20 under the transition provisions as provided in G.S. 135-112, shall not be prohibited from receiving
21 a return of accumulated contributions as provided in this subsection."

22 **SECTION 7.(b)** G.S. 135-5(l) reads as rewritten:

23 "(l) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan (hereinafter
24 called the "Plan") which is established as an employee welfare benefit plan that is separate and
25 apart from the Retirement System and under which the members of the Retirement System shall
26 participate and be eligible for group life insurance benefits. Upon receipt of proof, satisfactory to
27 the Board of Trustees in their capacity as trustees under the Group Life Insurance Plan, of the
28 death, in service, of a member who had completed at least one full calendar year of membership in
29 the Retirement System, there shall be paid to such person as ~~he~~the member shall have nominated
30 by electronic submission ~~prior to completing 10 years of service~~ in a form approved by the Board
31 of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if
32 such person is living at the time of the member's death, otherwise to the member's legal
33 representatives, a death benefit. Such death benefit shall be equal to the greater of:

- 34 (1) The compensation on which contributions were made by the member during the
35 calendar year preceding the year in which ~~his~~the member's death occurs, or
- 36 (2) The greatest compensation on which contributions were made by the member
37 during a 12-month period of service within the 24-month period of service
38 ending on the last day of the month preceding the month in which ~~his~~the
39 member's last day of actual service occurs;
- 40 (3). (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2.

41 subject to a minimum of twenty-five thousand dollars (\$25,000) and to a maximum of fifty
42 thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the
43 payment of the member's accumulated contributions under the System on ~~his~~the member's death
44 pursuant to the provisions of subsection (f) of this section. For the purpose of the Plan, a member
45 shall be deemed to be in service at the date of ~~his~~the member's death if ~~his~~the member's death
46 occurs within 180 days from the last day of ~~his~~the member's actual service."

47 **SECTION 7.(c)** G.S. 135-63 reads as rewritten:

48 **"§ 135-63. Benefits on death before retirement.**

49 (a) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a member
50 in service, there shall be paid in a lump sum to such person as the member shall have nominated
51 by electronic submission ~~prior to completing 10 years of service~~ in a form approved by the Board

1 of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if
2 such person is living at the time of the member's death, otherwise to the member's legal
3 representatives, a death benefit equal to the sum of (i) the member's accumulated contributions,
4 plus (ii) the member's final compensation; provided, however, that if the member has attained his
5 or her fiftieth birthday with at least five years of membership service at ~~his~~the member's date of
6 death, and if the designated recipient of the death benefits is the member's spouse who survives
7 ~~him~~him or her, and if the spouse so elects, then the lump-sum death benefit provided for herein
8 shall consist only of a payment equal to the member's final compensation and there shall be paid to
9 the surviving spouse an annual retirement allowance, payable monthly, which shall commence on
10 the first day of the calendar month coinciding with or next following the death of the member and
11 shall be continued on the first day of each month thereafter until the remarriage or death of the
12 spouse. The amount of any such retirement allowance shall be equal to one half of the amount of
13 the retirement allowance to which the member would have been entitled had ~~he~~the member retired
14 under the provisions of G.S. 135-57(a) on the first day of the calendar month coinciding with or
15 next following ~~his~~the member's date of death, reduced by two percent (2%) thereof for each full
16 year, if any, by which the age of the member at his or her date of death exceeds that of ~~his~~the
17 member's spouse. If the retirement allowance to the spouse shall terminate on the remarriage or
18 death of the spouse before the total of the retirement allowance payments made equals the amount
19 of the member's accumulated contributions at date of death, the excess of such accumulated
20 contributions over the total of the retirement allowances paid to the spouse shall be paid in a lump
21 sum to such person as the member shall have nominated by electronic submission in a form
22 approved by the Board of Trustees or by written designation duly acknowledged and filed with the
23 Board of Trustees, if such person is living at the time such payment falls due, otherwise to the
24 former member's legal representatives.

25 ...

26 (c) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a member
27 not in service, there shall be paid in a lump sum to such person as the member shall have
28 nominated by electronic submission ~~prior to completing 10 years of service~~ in a form approved by
29 the Board of Trustees or by written designation duly acknowledged and filed with the Board of
30 Trustees, if such person is living at the time of the member's death, otherwise to the member's
31 legal representatives, a death benefit equal to the member's accumulated contributions.

32"

33 **SECTION 7.(d)** G.S. 128-27(f) reads as rewritten:

34 "(f) Return of Accumulated Contributions. – Should a member cease to be an employee
35 except by death or retirement under the provisions of this Chapter, ~~he~~the member shall upon
36 submission of an application be paid, not earlier than 60 days from the date of termination of
37 service, ~~his~~the member's contributions and the accumulated regular interest thereon, provided that
38 ~~he~~the member has not in the meantime returned to service. Upon payment of such sum his or her
39 membership in the System shall cease and, if he or she thereafter again becomes a member, no
40 credit shall be allowed for any service previously rendered except as provided in G.S. 128-26; and
41 such payment shall be in full and complete discharge of any rights in or to any benefits otherwise
42 payable hereunder. Upon receipt of proof satisfactory to the Board of Trustees of the death, prior
43 to retirement, of a member or former member there shall be paid to such person or persons as
44 ~~he~~the member or former member shall have nominated by electronic submission ~~prior to~~
45 ~~completing 10 years of service~~ in a form approved by the Board of Trustees or by written
46 designation duly acknowledged and filed with the Board of Trustees, if such person or persons are
47 living at the time of the member's death, otherwise to the member's legal representatives, the
48 amount of ~~his~~the member's accumulated contributions at the time of ~~his~~the member's death, unless
49 the beneficiary elects to receive the alternate benefit under the provisions of (m) below. An
50 extension service employee who made contributions to the Local Governmental Employees'
51 Retirement System and the Teachers' and State Employees' Retirement System as a result of dual

1 employment may not be paid his ~~or her~~ accumulated contributions unless ~~he~~the extension service
2 employee is eligible to be paid his ~~or her~~ accumulated contributions in both systems for the same
3 period of service.

4 Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the
5 Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated
6 contributions to the Consolidated Judicial Retirement System or to the Supplemental Retirement
7 Income Plan and forfeit any rights in or to any benefits otherwise payable hereunder."

8 **SECTION 7.(e)** G.S. 128-27(l) reads as rewritten:

9 "(l) Death Benefit Plan. – The provisions of this subsection shall become effective for any
10 employer only after an agreement to that effect has been executed by the employer and the
11 Director of the Retirement System. There is hereby created a Group Life Insurance Plan
12 (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is
13 separate and apart from the Retirement System and under which the members of the Retirement
14 System shall participate and be eligible for group life insurance benefits. Upon receipt of proof,
15 satisfactory to the Board of Trustees in their capacity as trustees under the Group Life Insurance
16 Plan, of the death, in service, of a member who had completed at least one full calendar year of
17 membership in the Retirement System, there shall be paid to such person as ~~he~~the member shall
18 have nominated by electronic submission ~~prior to completing 10 years of service~~ in a form
19 approved by the Board of Trustees or by written designation duly acknowledged and filed with the
20 Board of Trustees, if such person is living at the time of the member's death, otherwise to the
21 member's legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

22 (1) The compensation on which contributions were made by the member during the
23 calendar year preceding the year in which ~~his~~the member's death occurs, or

24 (2) The greatest compensation on which contributions were made by the member
25 during a 12-month period of service within the 24-month period of service
26 ending on the last day of the month preceding the month in which ~~his~~the
27 member's last day of actual service occurs;

28 (3) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2;
29 subject to a minimum of twenty-five thousand dollars (\$25,000) and a maximum of fifty thousand
30 dollars (\$50,000). Such death benefit shall be payable apart and separate from the payment of the
31 member's accumulated contributions under the System on ~~his~~the member's death pursuant to the
32 provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be deemed
33 to be in service at the date of ~~his~~the member's death if ~~his~~the member's death occurs within 180
34 days from the last day of ~~his~~the member's actual service.

35"

36 **SECTION 7.(f)** G.S. 120-4.25 reads as rewritten:

37 "**§ 120-4.25. Return of accumulated contributions.**

38 If a member ceases to be a member of the General Assembly except by death or retirement,
39 ~~he~~the member shall, upon submission of an application, be paid not earlier than 60 days following
40 the date of termination of service the sum of ~~his~~the member's accumulated contributions provided
41 ~~he~~the member has not in the meantime returned to service. Upon payment of this sum his ~~or her~~
42 membership in the System ceases. If ~~he~~the individual becomes a member afterwards, no credit
43 shall be allowed for any service previously rendered except as provided in G.S. 120-4.14 and the
44 payment shall be in full and complete discharge of any rights in or to any benefits otherwise
45 payable under this Article. Upon receipt of proof satisfactory to the Board of Trustees of the death,
46 prior to retirement, of a member or former member, there shall be paid to the person or persons
47 ~~he~~the member or former member nominated by electronic submission ~~prior to completing 10 years~~
48 ~~of service~~ in a form approved by the Board of Trustees or by written designation duly
49 acknowledged and filed with the Board of Trustees, if the person or persons are living at the time
50 of the member's death, otherwise to the member's legal representatives, the amount of ~~his~~the

1 member's accumulated contributions at the time of his~~the~~ member's death, unless the beneficiary
2 elects to receive the alternate benefit under the provisions of G.S. 120-4.28."

3 **SECTION 7.(g)** This section becomes effective January 1, 2017.

4 **SECTION 8.(a)** G.S. 135-6(b) reads as rewritten:

5 "(b) Membership of Board; Terms. – The Board shall consist of the following 13 ~~members,~~
6 ~~as follows:~~members:

7 (1) The State Treasurer, ~~ex officio;~~ex officio.

8 (2) The Superintendent of Public Instruction, ~~ex officio;~~ex officio.

9 (3) The Director of the Office of State Human Resources, ex officio.

10 (3)(4) ~~Nine~~Eight members to be appointed by the Governor and confirmed by the
11 Senate of North Carolina. One of the appointive members shall be a member of
12 the teaching profession of the State; ~~one of the appointive members shall be a~~
13 ~~representative of higher education appointed by the Governor for a term of four~~
14 ~~years commencing July 1, 1969, and quadrennially thereafter;~~ one of the
15 appointive members shall be a retired teacher who is drawing a retirement
16 allowance, appointed by the Governor for a term of four years commencing
17 July 1, 1969, and quadrennially thereafter; one shall be a retired State employee
18 who is drawing a retirement allowance, appointed by the Governor for a term of
19 four years commencing July 1, 1977, and quadrennially thereafter; one to be a
20 general State employee, and two who are not members of the teaching
21 profession or State employees; two to be appointed for a term of two years, two
22 for a term of three years and one for a term of four years; one appointive
23 member shall be a law-enforcement officer employed by the State, appointed by
24 the Governor, for a term of four years commencing April 1, 1985. One member
25 shall be an active or retired member of the North Carolina National Guard
26 appointed by the Governor for a term of four years commencing July 1, 2013.
27 At the expiration of these terms of office the appointment shall be for a term of
28 ~~four years;~~years.

29 (4)(5) Two members appointed by the General Assembly, one appointed upon the
30 recommendation of the Speaker of the House of Representatives, and one
31 appointed upon the recommendation of the President Pro Tempore of the
32 Senate in accordance with G.S. 120-121. Neither of these members may be an
33 active or retired teacher or State employee or an employee of a unit of local
34 government. The initial members appointed by the General Assembly shall
35 serve for terms expiring June 30, 1983. Thereafter, their successors shall serve
36 for two-year terms beginning July 1 of odd-numbered years. Vacancies in
37 appointments made by the General Assembly shall be filled in accordance with
38 G.S. 120-122."

39 **SECTION 8.(b)** G.S. 135-6(g) reads as rewritten:

40 "(g) Officers and Other Employees; Salaries and Expenses. – The State Treasurer shall be
41 ~~ex officio chairman~~chair of the Board of ~~Trustees. The Board of Trustees shall, by a majority vote~~
42 ~~of all the members, appoint a director, who may be, but need not be, one of its members. The~~
43 ~~salary of the director of the Retirement System is subject to the provisions of Chapter 126 of the~~
44 ~~General Statutes of North Carolina. Trustees and shall appoint a director.~~ The Board of Trustees
45 shall engage such actuarial and other service as shall be required to transact the business of the
46 Retirement System. The compensation of all persons, other than the director, engaged by the
47 Board of Trustees, and all other expenses of the Board necessary for the operation of the
48 Retirement System, shall be paid at such rates and in such amounts as the Board of Trustees shall
49 approve, subject to the approval of the Director of the Budget."

50 **SECTION 8.(c)** G.S. 128-28(h) reads as rewritten:

1 "(h) Officers and Other Employees, Salaries and Expenses. – ~~The Board of Trustees shall~~
2 ~~elect from its membership a chairman, and shall, by a majority vote of all the members, appoint a~~
3 ~~director, who may be, but need not be, one of its members. The State Treasurer shall be ex officio~~
4 ~~chair of the Board of Trustees and shall appoint a director.~~ The Board of Trustees shall engage
5 such actuarial and other service as shall be required to transact the business of the Retirement
6 System. The compensation of all persons engaged by the Board of Trustees, and all other expenses
7 of the Board necessary for the operation of the Retirement System, shall be paid at such rates and
8 in such amounts as the Board of Trustees shall approve."

9 **SECTION 9.(a)** G.S. 135-6 is amended by adding a new subsection to read:

10 "(u) In order to promote achievement of long-term administrative objectives and to retain
11 key public employees with benefits administration expertise, the State Treasurer is authorized to
12 establish market-oriented compensation plans for employees in positions designated as key
13 management roles who possess specialized skills or knowledge necessary for the effective
14 administration of retirement benefits and who shall be exempt from the classification and
15 compensation rules established by the Office of State Human Resources. The design and
16 administration of those compensation plans shall be based on compensation studies conducted by
17 a nationally recognized firm specializing in employee benefits. The costs of the compensation and
18 other associated employee benefits shall be apportioned from administrative receipts of the
19 Retirement System. The Treasurer shall report the salaries paid under this provision to the Joint
20 Legislative Oversight Committee on General Government annually, on or before December 1 of
21 each year."

22 **SECTION 9.(b)** G.S. 128-28 is amended by adding a new subsection to read:

23 "(v) In order to promote achievement of long-term administrative objectives and to retain
24 key public employees with benefits administration expertise, the State Treasurer is authorized to
25 establish market-oriented compensation plans for employees in positions designated as key
26 management roles who possess specialized skills or knowledge necessary for the effective
27 administration of retirement benefits and who shall be exempt from the classification and
28 compensation rules established by the Office of State Human Resources. The design and
29 administration of those compensation plans shall be based on compensation studies conducted by
30 a nationally recognized firm specializing in employee benefits. The costs of the compensation and
31 other associated employee benefits shall be apportioned from administrative receipts of the
32 Retirement System. The Treasurer shall report the salaries paid under this provision to the Joint
33 Legislative Oversight Committee on General Government annually, on or before December 1 of
34 each year."

35 **SECTION 9.(c)** G.S. 126-5 is amended by adding a new subsection to read:

36 "(c14) Except as to G.S. 126-13, 126-14, 126-14.1, and the provisions of Articles 6, 7, 14, 15,
37 and 16 of this Chapter, the provisions of this Chapter shall not apply to employees of the
38 Department of State Treasurer possessing specialized skills or knowledge necessary for the proper
39 administration of retirement benefits and compensated pursuant to G.S. 135-6(u) and
40 G.S. 128-28(v)."

41 **SECTION 9.(d)** This section becomes effective January 1, 2017.

42 **SECTION 10.(a)** G.S. 135-7 is amended by adding a new subsection to read:

43 "(g) Legislative Enactment Implementation Arrangement. – The Legislative Enactment
44 Implementation Arrangement (LEIA) is established effective October 1, 2016, and placed under
45 the management of the Board of Trustees. The purpose of the LEIA is to provide for timely
46 administrative implementation of legislative provisions regarding the retirement of, or payment of
47 retirement benefits to, public officers or public employees. The LEIA shall have the following
48 parameters:

49 (1) Administration. – The LEIA shall be administered by the Board of Trustees,
50 which shall compile and maintain all records necessary or appropriate for
51 administration. The Board of Trustees shall have full discretionary authority to

- 1 interpret, construe, and implement the LEIA and to adopt such rules and
2 regulations as may be necessary or desirable to implement the provisions of the
3 LEIA.
- 4 (2) Funding of the LEIA. – In the event that the General Assembly creates or
5 modifies any provision for the retirement of, or payment of retirement benefits
6 to, public officers or public employees that has a cost savings as measured by
7 actuarial note required by Article 15 of Chapter 120 of the General Statutes, the
8 Board of Trustees may direct up to one hundredth percent (0.01%) of the
9 required contributions to fund the LEIA. These funds must be deposited in a
10 separate fund from the fund into which regular employer contributions are
11 deposited for the Retirement System. The Board of Trustees shall not direct any
12 employer contributions into the LEIA after November 1, 2021.
- 13 (3) Allocation of LEIA funds. – The Board of Trustees may allocate LEIA funds to
14 the implementation of legislative provisions regarding the retirement of, or
15 payment for retirement benefits to, public officers or public employees, subject
16 to the following restrictions:
- 17 a. The Board of Trustees must identify individual implementation projects
18 that will be paid for with LEIA funds. These implementation projects
19 must be necessitated by a specific statute or session law that was
20 enacted within five years of the allocation of the funds. The Board of
21 Trustees must also identify the number of years for which each
22 individual implementation project will be paid for with LEIA funds.
- 23 b. For implementation projects that will be paid for with LEIA funds for a
24 period of one year or less, the Board of Trustees must determine that the
25 cost savings from implementing the project is projected to be no less
26 than half of the amount of LEIA funds utilized to pay for
27 implementation.
- 28 c. For implementation projects that will be paid for with LEIA funds for a
29 period of greater than one year, but not more than four years, the Board
30 of Trustees must determine that the long-term cost savings from
31 implementing the project is projected to be at least three times greater
32 than the cost of implementation.
- 33 d. No implementation project shall be paid for with LEIA funds for a
34 period of more than four years.
- 35 (4) Treatment of unused assets. – Any assets of the LEIA not used to pay allowed
36 administrative expenses for timely administrative implementation of legislative
37 provisions shall be transferred to the Retirement System as an additional
38 employer contribution."

39 **SECTION 10.(b)** G.S. 128-29 is amended by adding a new subsection to read:

40 "(g) Legislative Enactment Implementation Arrangement. – The Legislative Enactment
41 Implementation Arrangement (LEIA) is established effective October 1, 2016, and placed under
42 the management of the Board of Trustees. The purpose of the LEIA is to provide for timely
43 administrative implementation of legislative provisions regarding the retirement of, or payment of
44 retirement benefits to, public officers or public employees. The LEIA shall have the following
45 parameters:

- 46 (1) Administration. – The LEIA shall be administered by the Board of Trustees,
47 which shall compile and maintain all records necessary or appropriate for
48 administration. The Board of Trustees shall have full discretionary authority to
49 interpret, construe, and implement the LEIA and to adopt such rules and
50 regulations as may be necessary or desirable to implement the provisions of the
51 LEIA.

- (2) Funding of the LEIA. – In the event that the General Assembly creates or modifies any provision for the retirement of, or payment of retirement benefits to, public officers or public employees that has a cost savings as measured by actuarial note required by Article 15 of Chapter 120 of the General Statutes, the Board of Trustees may direct up to one hundredth percent (0.01%) of the required contributions to fund the LEIA. These funds must be deposited in a separate fund from the fund into which regular employer contributions are deposited for the Retirement System. The Board of Trustees shall not direct any employer contributions into the LEIA after November 1, 2021.
- (3) Allocation of LEIA funds. – The Board of Trustees may allocate LEIA funds to the implementation of legislative provisions regarding the retirement of, or payment for retirement benefits to, public officers or public employees, subject to the following restrictions:
- a. The Board of Trustees must identify individual implementation projects that will be paid for with LEIA funds. These implementation projects must be necessitated by a specific statute or session law that was enacted within five years of the allocation of the funds. The Board of Trustees must also identify the number of years for which each individual implementation project will be paid for with LEIA funds.
- b. For implementation projects that will be paid for with LEIA funds for a period of one year or less, the Board of Trustees must determine that the cost savings from implementing the project is projected to be no less than half of the amount of LEIA funds utilized to pay for implementation.
- c. For implementation projects that will be paid for with LEIA funds for a period of greater than one year, but not more than four years, the Board of Trustees must determine that the long-term cost savings from implementing the project is projected to be at least three times greater than the cost of implementation.
- d. No implementation project shall be paid for with LEIA funds for a period of more than four years.
- (4) Treatment of unused assets. – Any assets of the LEIA not used to pay allowed administrative expenses for timely administrative implementation of legislative provisions shall be transferred to the Retirement System as an additional employer contribution."

SECTION 10.(c) This section becomes effective October 1, 2016.

SECTION 11.(a) The February 5, 2008, Attorney General's advisory opinion entitled "Advisory Opinion: Confidentiality of Retirement Benefit Information; Session Law 2007-508" concluded that information about retirement benefits was intended to be included among those records required to be maintained for public inspection by each department, agency, institution, commission, and bureau of the State and that as a result the Retirement Systems Division of the Department of the State Treasurer makes that information available for public inspection and examination. The General Assembly finds that the interests of clarity require statutory language providing guidance to the Retirement Systems Division in determining and maintaining consistency as to what information should be made available about the retirement accounts of State and local employees.

SECTION 11.(b) Article 1 of Chapter 135 of the General Statutes is amended by adding a new section to read:

"§ 135-6.1. Member retirement record files held by the Retirement System.

(a) The following definitions apply in this section:

(1) Employment-related information. – As defined in G.S. 126-22(b)(3).

(2) Personal information. – As defined in G.S. 126-22(b)(3).

(3) Retirement file. – Any employment-related, retirement-related, or personal information of members in a State-administered retirement plan gathered by the Retirement Systems Division of the Department of State Treasurer.

(4) Retirement-related information. – Information including membership and service details, benefit payment information, and other information the Retirement Systems Division of the Department of State Treasurer deems necessary to administer a retirement plan.

(b) Member retirement files are not subject to inspection and examination as authorized by G.S. 132-6 except as provided in G.S. 135-6(p), G.S. 128-28(q), and subsections (c), (d), and (e) of this section.

(c) The following information regarding members and individuals in receipt of a recurring monthly benefit, if held by the Retirement System, is public and subject to subsection (d) of this section:

(1) Name.

(2) Age.

(3) Date of membership in the applicable retirement system, first service earned date, date of first enrollment, date of first employment, and date of retirement.

(4) The terms of any contract by which the member is employed whether written or oral, past and current, to the extent that the Retirement System has the written contract or a record of the oral contract in its possession.

(5) Current or most recently held position or title.

(6) Compensation and other relevant remuneration history and benefits paid.

(7) Date, general description, and type of each change and the corresponding employing agency.

(8) The office or station to which the member is currently assigned, if any.

(9) The record of benefit payments made by one of the Retirement Systems or Disability Benefits Programs administered by the Department of State Treasurer to a member or to the survivor, beneficiary, or alternate payee of a member.

(10) Purchases of educational leave.

(d) Subject only to rules and policies for the safekeeping of member retirement files adopted by the Board of Trustees, every person having custody of the retirement file information outlined in subsection (b) of this section shall permit the information to be inspected and examined and copies thereof made by any person during regular business hours. Any person who is denied access to any retirement file for the purpose of inspecting, examining, or copying the file has a right to compel compliance with the provisions of this section by application to a court of competent jurisdiction for a writ of mandamus or other appropriate relief.

(e) The Retirement Systems Division of the Department of State Treasurer may disclose the name and mailing address of former State employees, former public school employees, or former community college employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees.

(f) All information other than the information listed in subsection (c) of this section contained in a retirement file is confidential and not open for inspection and examination except to the following persons:

(1) The member, or the member's authorized agent, who may examine his or her own retirement file, except for any information concerning a medical disability, mental or physical, that a prudent physician would not divulge to a patient. A member's medical record may be disclosed to a licensed physician in writing by the member.

1 (2) A member of the General Assembly who may inspect and examine records
2 under the authority of G.S. 120-19.

3 (3) A party by authority of a proper court order may inspect and examine a
4 particular confidential portion of a member's retirement file.

5 (g) Any public official or employee who knowingly and willfully permits any person to
6 have access to or custody or possession of any portion of a retirement file designated as
7 confidential by this section, unless the person is one specifically authorized by this section to have
8 access thereto for inspection and examination, is guilty of a Class 3 misdemeanor and upon
9 conviction shall only be fined in the discretion of the court but not in excess of five hundred
10 dollars (\$500.00).

11 (h) Any person not specifically authorized by this section to have access to a retirement
12 file designated as confidential by this section, who knowingly and willfully examines, removes, or
13 copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon
14 conviction shall be fined in the discretion of the court but not in excess of five hundred dollars
15 (\$500.00)."

16 **SECTION 11.(c)** Article 3 of Chapter 128 of the General Statutes is amended by
17 adding a new section to read:

18 **"§ 128-33.1. Public records held by the Retirement System.**

19 (a) The following definitions apply in this section:

20 (1) Employment-related information. – As defined in G.S. 126-22(b)(3).

21 (2) Personal information. – As defined in G.S. 126-22(b)(3).

22 (3) Retirement file. – Any employment-related, retirement-related, or personal
23 information of members in a State-administered retirement plan gathered by the
24 Retirement Systems Division of the Department of State Treasurer.

25 (4) Retirement-related information. – Information including membership and
26 service details, benefit payment information, and other information the
27 Retirement Systems Division of the Department of State Treasurer deems
28 necessary to administer a retirement plan.

29 (b) Member retirement files are not subject to inspection and examination as authorized by
30 G.S. 132-6 except as provided in G.S. 135-6(p), G.S. 128-28(q), and subsections (c), (d), and (e)
31 of this section.

32 (c) The following information regarding members and individuals in receipt of a recurring
33 monthly benefit, if held by the Retirement System, is public subject to subsection (d) of this
34 section:

35 (1) Name.

36 (2) Age.

37 (3) Date of membership in the applicable retirement system, first service earned
38 date, date of first enrollment, date of first employment, and date of retirement.

39 (4) The terms of any contract by which the member is employed whether written or
40 oral, past and current, to the extent that the Retirement System has the written
41 contract or a record of the oral contract in its possession.

42 (5) Current or most recently held position or title.

43 (6) Compensation and other relevant remuneration history and benefits paid.

44 (7) Date, general description, and type of each change and the corresponding
45 employing agency.

46 (8) The office or station to which the member is currently assigned, if any.

47 (9) The record of benefit payments made by one of the Retirement Systems or
48 Disability Benefits Programs administered by the Department of State
49 Treasurer to a member or to the survivor, beneficiary, or alternate payee of a
50 member.

51 (10) Purchases of educational leave.

(d) Subject only to rules and policies for the safekeeping of member retirement files adopted by the Board of Trustees, every person having custody of the retirement file information outlined in subsection (b) of this section shall permit the information to be inspected and examined and copies thereof made by any person during regular business hours. Any person who is denied access to any retirement file for the purpose of inspecting, examining, or copying the file has a right to compel compliance with the provisions of this section by application to a court of competent jurisdiction for a writ of mandamus or other appropriate relief.

(e) The Retirement Systems Division of the Department of State Treasurer may disclose the name and mailing address of former State employees, former public school employees, or former community college employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees.

(f) All information other than the information listed in subsection (c) of this section contained in a retirement file is confidential and not open for inspection and examination except to the following persons:

(1) The member, or the member's authorized agent, who may examine his or her own retirement file, except for any information concerning a medical disability, mental or physical, that a prudent physician would not divulge to a patient. A member's medical record may be disclosed to a licensed physician in writing by the member.

(2) A member of the General Assembly who may inspect and examine records under the authority of G.S. 120-19.

(3) A party by authority of a proper court order may inspect and examine a particular confidential portion of a member's retirement file.

(g) Any public official or employee who knowingly and willfully permits any person to have access to or custody or possession of any portion of a retirement file designated as confidential by this section, unless the person is one specifically authorized by this section to have access thereto for inspection and examination, is guilty of a Class 3 misdemeanor and upon conviction shall only be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00).

(h) Any person not specifically authorized by this section to have access to a retirement file designated as confidential by this section, who knowingly and willfully examines, removes, or copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon conviction shall be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00)."

SECTION 11.(d) G.S. 126-22 reads as rewritten:

"§ 126-22. Personnel files not subject to inspection under § 132-6.

(a) Except as provided in G.S. 126-23 and G.S. 126-24, personnel files of State employees shall not be subject to inspection and examination as authorized by G.S. 132-6.

(b) For purposes of this Article the following definitions apply:

(1) "Employee" means any current State employee, former State employee, or applicant for State employment.

(2) "Employer" means any State department, university, division, bureau, commission, council, or other agency subject to Article 7 of this Chapter.

(3) "Personnel file" means any employment-related or personal information gathered by an employer, ~~the Retirement Systems Division of the Department of State Treasurer,~~ employer or by the Office of State Human Resources. Employment-related information contained in a personnel file includes information related to an individual's application, selection, promotion, demotion, transfer, leave, salary, contract for employment, benefits, suspension, performance evaluation, disciplinary actions, and termination. Personal information contained in a personnel file includes an individual's home address,

social security number, medical history, personal financial data, marital status, dependents, and beneficiaries.

(4) "Record" means the personnel information that each employer is required to maintain in accordance with G.S. 126-23.

(c) Personnel files of former State employees who have been separated from State employment for 10 or more years may be open to inspection and examination except for papers and documents relating to demotions and to disciplinary actions resulting in the dismissal of the ~~employee and personnel files maintained by the Retirement Systems Division of the Department of State Treasurer-employee.~~ Retirement files maintained by the Retirement Systems Division of the Department of State Treasurer shall be made public pursuant to G.S. 128-33.1 and G.S. 135-6.1.

~~(d) Notwithstanding any provision of this section to the contrary, the Retirement Systems Division of the Department of State Treasurer may disclose the name and mailing address of former State employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees."~~

SECTION 11.(e) G.S. 115C-321(b1) is repealed.

SECTION 11.(f) G.S. 115D-29(c) is repealed.

SECTION 11.(g) G.S. 153A-98(c3) is repealed.

SECTION 11.(h) G.S. 160A-168(c3) is repealed.

SECTION 12.(a) G.S. 135-10.1 reads as rewritten:

"§ 135-10.1. Failure to respond.

If a member fails to respond within 120 days after preliminary option figures and the Form 6-E or Form 7-E are ~~mailed,transmitted to the member,~~ or if a member fails to respond within 120 days after the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null and void; the retirement system shall not be liable for any benefits due on account of the voided application, and a new application must be filed establishing a subsequent effective date of retirement. If an applicant for disability retirement fails to furnish requested additional medical information within 90 days following such request, the application shall be declared null and void under the same conditions outlined above, unless the applicant is eligible for early or service retirement in which case the application shall be processed accordingly, using the same effective date as would have been used had the application for disability retirement been approved. The Director of the Retirement Systems Division, acting on behalf of the Board of Trustees, may extend the 120-day limitation provided for in this section when a member has suffered incapacitation such that a reasonable person would not have expected the member to be able to complete the required paperwork within the regular deadline, or when an omission by the Retirement Systems Division prevents the member from having sufficient time to meet the regular deadline."

SECTION 12.(b) G.S. 128-32.1 reads as rewritten:

"§ 128-32.1. Failure to respond.

If a member fails to respond within 120 days after preliminary option figures and the Form 6-E or Form 7-E are ~~mailed,transmitted to the member,~~ or if a member fails to respond within 120 days after the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null and void; the retirement system shall not be liable for any benefits due on account of the voided application, and a new application must be filed establishing a subsequent effective date of retirement. If an applicant for disability retirement fails to furnish requested additional medical information within 90 days following such request, the application shall be declared null and void under the same conditions outlined above, unless the applicant is eligible for early or service retirement in which case the application shall be processed accordingly, using the same effective date as would have been used had the application for disability retirement been approved. The Director of the Retirement Systems Division, acting on behalf of the Board of Trustees, may extend the 120-day limitation provided for in this section when a member has suffered

1 incapacitation such that a reasonable person would not have expected the member to be able to
2 complete the required paperwork within the regular deadline, or when an omission by the
3 Retirement Systems Division prevents the member from having sufficient time to meet the regular
4 deadline."

5 **SECTION 13.(a)** G.S. 135-18.8 reads as rewritten:

6 **"§ 135-18.8. Deduction for payments allowed.**

7 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association
8 that has at least ~~2,000~~10,000 members, the majority of whom are active or retired employees of
9 the State or public school employees, may authorize, in writing, the periodic deduction from the
10 beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees'
11 association. The authorization shall remain in effect until revoked by the ~~beneficiary-beneficiary,~~
12 and proof of the authorization must be available upon request to the Department of the State
13 Treasurer. A plan of deductions pursuant to this section shall become void if the employees' or
14 retirees' association engages in collective bargaining with the State, any political subdivision of
15 the State, or any local school administrative unit.

16 (b) Any beneficiary may also authorize, in writing, the monthly deduction from the
17 beneficiary's retirement benefits of a designated lump sum to be paid to the State Health Plan for
18 any dependent whom the beneficiary wishes to cover under the State Health Plan. In the event that
19 the beneficiary's own State Health Plan coverage is contributory, in whole or in part, the
20 beneficiary may also authorize a designated lump sum to be paid to the State Health Plan on
21 behalf of the beneficiary. In addition, a beneficiary may similarly authorize the deduction for
22 supplemental voluntary insurance benefits, provided that the deduction is authorized by the
23 Department of State Treasurer and is payable to a company with which the Department of State
24 Treasurer has or had an exclusive contractual relationship. Any such authorization shall remain in
25 effect until revoked by the ~~beneficiary-beneficiary,~~ and proof of the authorization must be
26 available on request by the Department of the State Treasurer."

27 **SECTION 13.(b)** G.S. 135-75 reads as rewritten:

28 **"§ 135-75. Deduction for payments allowed.**

29 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association
30 that has at least ~~2,000~~10,000 members, the majority of whom are active or retired employees of
31 the State or public school employees, may authorize, in writing, the periodic deduction from the
32 beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees'
33 association. The authorization shall remain in effect until revoked by the ~~beneficiary-beneficiary,~~
34 and proof of the authorization must be available on request of the Department of the State
35 Treasurer. A plan of deductions pursuant to this section shall become void if the employees' or
36 retirees' association engages in collective bargaining with the State, any political subdivision of
37 the State, or any local school administrative unit.

38 (b) Any beneficiary eligible for coverage under the State Health Plan may also authorize,
39 in writing, the monthly deduction from the beneficiary's retirement benefits of a designated lump
40 sum to be paid to the State Health Plan for any dependent whom the beneficiary wishes to cover
41 under the State Health Plan. In the event that the beneficiary's own State Health Plan coverage is
42 contributory, in whole or in part, the beneficiary may also authorize a designated lump sum to be
43 paid to the State Health Plan on behalf of the beneficiary. In addition, a beneficiary may similarly
44 authorize the deduction for supplemental voluntary insurance benefits, provided that the deduction
45 is authorized by the Department of State Treasurer and is payable to a company with which the
46 Department of State Treasurer has or had an exclusive contractual relationship. Any such
47 authorization shall remain in effect until revoked by the ~~beneficiary-beneficiary,~~ and proof of the
48 authorization must be available on request of the Department of the State Treasurer."

49 **SECTION 13.(c)** G.S. 128-38.3 reads as rewritten:

50 **"§ 128-38.3. Deduction for payments allowed.**

(a) Any beneficiary who is a member of a domiciled employees' or retirees' association that has at least ~~2,000~~10,000 members, the majority of whom are active or retired employees of employers as defined in G.S. 128-21(11), may authorize, in writing, the periodic deduction from the beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees' association. The authorization shall remain in effect until revoked by the ~~beneficiary-beneficiary~~, and proof of the authorization must be available on request of the ~~Department of the State Treasurer~~. A plan of deductions pursuant to this section shall become void if the employees' or retirees' association engages in collective bargaining with the State, any political subdivision of the State, or any local school administrative unit.

(b) Any beneficiary eligible for coverage under the State Health Plan may also authorize, in writing, the monthly deduction from the beneficiary's retirement benefits of a designated lump sum to be paid to the State Health Plan for any dependent whom the beneficiary wishes to cover under the State Health Plan. In the event that the beneficiary's own State Health Plan coverage is contributory, in whole or in part, the beneficiary may also authorize a designated lump sum to be paid to the State Health Plan on behalf of the beneficiary. In addition, a beneficiary may similarly authorize the deduction for supplemental voluntary insurance benefits, provided that the deduction is authorized by the Department of State Treasurer and is payable to a company with which the Department of State Treasurer has or had an exclusive contractual relationship. Any such authorization shall remain in effect until revoked by the ~~beneficiary-beneficiary~~, and proof of the authorization must be available on request of the Department of the State Treasurer.

(c) For local employers who made arrangements with the Retirement System prior to January 1, 2016, any beneficiary who is a retiree from an employer in the Retirement System under this Article may authorize the periodic deduction from the beneficiary's retirement benefits as designated lump sum to be paid to the beneficiary's former employer for the purpose of providing health benefits. The authorization shall remain in effect until revoked by the beneficiary, and proof of the authorization must be available on request of the Department of the State Treasurer."

SECTION 13.(d) G.S. 120-4.32 reads as rewritten:
"§ 120-4.32. Deduction for payments allowed.

(a) Any beneficiary who is a member of a domiciled employees' or retirees' association that has at least ~~2,000~~10,000 members, the majority of whom are active or retired employees of the State or public school employees, may authorize, in writing, the periodic deduction from the beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees' association. The authorization shall remain in effect until revoked by the ~~beneficiary-beneficiary~~, and proof of the authorization must be available on request of the Department of the State Treasurer. A plan of deductions pursuant to this section shall become void if the employees' or retirees' association engages in collective bargaining with the State, any political subdivision of the State, or any local school administrative unit.

(b) Any beneficiary eligible for coverage under the State Health Plan may also authorize, in writing, the monthly deduction from the beneficiary's retirement benefits of a designated lump sum to be paid to the State Health Plan for any dependent whom the beneficiary wishes to cover under the State Health Plan. In the event that the beneficiary's own State Health Plan coverage is contributory, in whole or in part, the beneficiary may also authorize a designated lump sum to be paid to the State Health Plan on behalf of the beneficiary. In addition, a beneficiary may similarly authorize the deduction for supplemental voluntary insurance benefits, provided that the deduction is authorized by the Department of State Treasurer and is payable to a company with which the Department of State Treasurer has or had an exclusive contractual relationship. Any such authorization shall remain in effect until revoked by the ~~beneficiary-beneficiary~~, and proof of the authorization must be available on request of the Department of the State Treasurer."

SECTION 13.(e) G.S. 135-18.8(a) is repealed.

SECTION 13.(f) G.S. 135-75(a) is repealed.

1 **SECTION 13.(g)** G.S. 128-38.3(a) is repealed.

2 **SECTION 13.(h)** G.S. 128-38.3(c) is repealed.

3 **SECTION 13.(i)** G.S. 120-4.32(a) is repealed.

4 **SECTION 13.(j)** Subsections (e), (f), (g), (h), and (i) of this section become effective
5 July 1, 2017. The remainder of this section is effective when it becomes law.

6 **SECTION 14.(a)** G.S. 135-106(b) reads as rewritten:

7 "(b) After the commencement of benefits under this section, the benefits payable under the
8 terms of this section during the first 36 months of the long-term disability period shall be equal to
9 sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable to the
10 participant or beneficiary prior to the beginning of the short-term disability period as may be
11 adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent (65%) of
12 1/12th of the annual longevity payment to which the participant or beneficiary would be eligible,
13 to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced by any primary
14 Social Security disability benefits to which the beneficiary may be entitled, effective as of the first
15 of the month following the month of initial entitlement, and by monthly payments for Workers'
16 Compensation to which the participant or beneficiary may be entitled. When primary Social
17 Security disability benefits are increased by cost-of-living adjustments, the increased reduction
18 shall be applied in the first month following the month in which the member becomes entitled to
19 the increased Social Security benefit. The monthly benefit shall be further reduced by the amount
20 of any monthly payments from the federal Department of Veterans Affairs, any other federal
21 agency or any payments made under the provisions of G.S. 127A-108, to which the participant or
22 beneficiary may be entitled on account of the same disability. Provided, in any event, the benefit
23 payable shall be no less than ten dollars (\$10.00) a month. However, a disabled participant may
24 elect to receive any salary continuation as provided in G.S. 135-104 in lieu of long-term disability
25 benefits; provided such election shall not extend the first 36 consecutive calendar months of the
26 long-term disability period. An election to receive any salary continuation for any part of any
27 given day shall be in lieu of any long-term benefit payable for that day, provided further, any
28 lump-sum payout for vacation leave shall be treated as if the beneficiary or participant had
29 exhausted the leave and shall be in lieu of any long-term benefit otherwise payable. Provided that,
30 in any event, a beneficiary's benefit shall be reduced during the first 36 months of the long-term
31 disability period by an amount, as determined by the Board of Trustees, equal to a primary Social
32 Security retirement benefit to which the beneficiary might be entitled, effective the first of the
33 month following the month of initial entitlement.

34 After 36 months of long-term disability, no further benefits are payable under the terms of this
35 section unless the member has been approved and is in receipt of primary Social Security
36 disability benefits. In that case the benefits payable shall be equal to sixty-five percent (65%) of
37 1/12th of the annual base rate of compensation last payable to the participant or beneficiary prior
38 to the beginning of the short-term disability period as may be adjusted for percentage increases as
39 provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual longevity
40 payment to which the participant or beneficiary would be eligible, to a maximum of three
41 thousand nine hundred dollars (\$3,900) per month reduced by the primary Social Security
42 disability benefits to which the beneficiary may be entitled, effective as of the first of the month
43 following the month of initial entitlement, and by monthly payments for Workers' Compensation
44 to which the participant or beneficiary may be entitled. When primary Social Security disability
45 benefits are increased by cost-of-living adjustments, the increased reduction shall be applied in the
46 first month following the month in which the member becomes entitled to the increased Social
47 Security benefit. The monthly benefit shall be further reduced by the amount of any monthly
48 payments from the federal Department of Veterans Affairs, for payments from any other federal
49 agency, or for any payments made under the provisions of G.S. 127A-108, to which the participant
50 or beneficiary may be entitled on account of the same disability. Provided, in any event, the
51 benefit payable shall be no less than ten dollars (\$10.00) a month.

1 Notwithstanding the foregoing, the long-term disability benefit is payable so long as the
2 beneficiary is disabled and is in receipt of a primary Social Security disability benefit until the
3 earliest date at which the beneficiary is eligible for an unreduced service retirement allowance
4 from the Retirement System, at which time the beneficiary would receive a retirement
5 allowance. At such time as the beneficiary receiving long-term disability benefits becomes eligible
6 for an unreduced service retirement, the long-term disability benefit of the beneficiary shall be
7 recalculated according to the formula set forth in G.S. 135-5(b21), calculated on the basis of the
8 beneficiary's average final compensation at the time of disability as adjusted to reflect
9 compensation increases subsequent to the time of disability and the creditable service accumulated
10 by the beneficiary, including creditable service while in receipt of benefits under the Plan. In the
11 event the beneficiary has not been approved and is not in receipt of a primary Social Security
12 disability benefit, the long-term disability benefit shall cease after the first 36 months of the
13 long-term disability period. In lieu of the recalculated long-term benefit described in this
14 subsection, the beneficiary shall have the right to elect to convert to an unreduced service
15 retirement benefit and thereby cease to receive further long-term benefits, provided all other
16 requirements are met pursuant to the provisions of G.S. 135-5. When such a long-term disability
17 recipient begins receiving this unreduced service retirement allowance from the System, that
18 recipient shall not be subject to the six-month waiting period set forth in G.S. 135-1(20). However,
19 a beneficiary shall be entitled to a restoration of the long-term disability benefit in the event the
20 Social Security Administration grants a retroactive approval for primary Social Security disability
21 benefits with a benefit effective date within the first 36 months of the long-term disability period.
22 In such event, the long-term disability benefit shall be restored retroactively to the date of
23 cessation."

24 **SECTION 14.(b)** This section becomes effective January 1, 2017.

25 **SECTION 15.(a)** G.S. 143B-426.40G(b) reads as rewritten:

26 "(b) The State Treasurer may impose on an agency with non-State funds a fee of fifteen
27 dollars (\$15.00) for each check drawn against the agency's disbursing account that causes the
28 balance in the account to be in overdraft or while the account is in overdraft. The financial officer
29 shall pay the fee from the agency's non-State or personal funds to the General Fund to the credit of
30 the miscellaneous nontax revenue account by the agency."

31 **SECTION 15.(b)** This section becomes effective October 1, 2016.

32 **SECTION 16.** Article 6 of Chapter 147 of the General Statutes is amended by adding
33 a new section to read:

34 **"§ 147-68.2. Confidentiality of warrants issued by the State.**

35 Information contained in records held by the State about outstanding, unpaid warrants issued
36 by the State are confidential and not available for public inspection to the extent that the Treasurer
37 determines that information would be sufficient to counterfeit a warrant."

38 **SECTION 17.** G.S. 147-79(a) reads as rewritten:

39 "(a) The amount of funds deposited by the State Treasurer in an official depository shall be
40 adequately secured by deposit insurance, surety bonds, letters of credit issued by a Federal Home
41 Loan Bank, or investment securities of such nature, in such amounts, and in such manner, as may
42 be prescribed by rule or regulation of the State Treasurer with the approval of the Governor and
43 Council of State. No security is required for the protection of funds remitted to and received by a
44 bank or trust company designated by the State Treasurer under G.S. 142-1 and acting as paying
45 agent for the payment of the principal of or interest on bonds or notes of the State."

46 **SECTION 18.(a)** G.S. 115C-341.2 reads as rewritten:

47 **"§ 115C-341.2. Department of State Treasurer sponsored 403(b) option.**

48 (a) In addition to the opportunities for local boards of education to offer section 403(b) of
49 the Internal Revenue Code of 1986 retirement annuities and/or mutual funds to their employees
50 under G.S. 115C-341, the Department of State Treasurer may establish an approved third-party
51 vendor of retirement offerings as described in section 403(b) of the Internal Revenue Code of

1 1986, as now and hereafter amended, pursuant to which employees of local school boards may
2 enter into nonforfeitable 403(b) plan options by way of salary reduction through the auspices of
3 the Department of State Treasurer. This statewide plan of 403(b) offerings shall be known as the
4 "North Carolina Public School Teachers' and Professional Educators' Investment Plan." The
5 vendor authorized under this section shall be selected by use of State Supplemental Retirement
6 Board of Trustees procurement ~~procedures~~, procedures under Article 5 of Chapter 135 of the
7 General Statutes, with the goal of attaining lower administrative fees and enhanced services for
8 participants and employer compliance with applicable law and regulations. Eligible employees of
9 local school boards shall all be allowed to use this vendor for the tax-deferred 403(b) option of
10 their choice.

11 (b) The criteria in this subsection apply to the Department of State Treasurer's 403(b)
12 offerings to employees of local school boards under this section.

- 13 (1) Annuity contracts, trust accounts, and/or custodial accounts shall be
14 administered by a qualified third-party administrator that shall, under written
15 agreement with the Department of State Treasurer, provide custodial,
16 record-keeping, and administrative services. The third-party administrator may
17 also be the selected vendor for the North Carolina Public School Teachers' and
18 Professional Educators' Investment Plan.

19 For employers choosing to participate in the North Carolina Public School
20 Teachers' and Professional Educators' Investment Plan, the third-party
21 administrator shall, at a minimum, provide the following:

- 22 a. Maintain a written plan document.
23 b. Review hardship withdrawal requests, loan requests, and other
24 disbursements permitted under section 403(b) of the Internal Revenue
25 Code of 1986.
26 c. Maintain specimen salary reduction agreements for the employer and
27 employees of that employer to initiate payroll deferrals.
28 d. Monitor maximum contributions.
29 e. Coordinate responses to the Internal Revenue Service in any case of an
30 IRS audit.
31 f. Generate educational communication materials to employees concerning
32 the enrollment process, program eligibility, and investment options.
33 g. Maintain internal reports to ensure compliance with Section 403(b) of
34 the Internal Revenue Code and Title 26 of the Code of Federal
35 Regulations.
36 h. Provide compliance monitoring/oversight for all 403(b) plans
37 established under G.S. 115C-341 within each participating local board
38 of education plan by creating and establishing the necessary connections
39 and processes with existing and future vendors.
40 i. Keep an updated schedule of vendor fees and commissions as to the
41 Department's statewide plan, plan of 403(b) offerings.

- 42 (2) Governance and oversight of the North Carolina Public School Teachers' and
43 Professional Educators' Investment Plan will be performed under Article 5 of
44 Chapter 135 of the General Statutes by the Department of State Treasurer and
45 the Supplemental Retirement Board of Trustees ~~for the North Carolina~~
46 ~~Supplemental Retirement Plans~~ established pursuant to G.S. 135-96. Because of
47 the administrative and record-keeping duties enumerated in subdivision (1) of
48 this subsection, any existing vendor of a 403(b) with a participating employer
49 must either agree to share data with the State's 403(b) vendor under this
50 provision (so as to permit oversight over contribution limits, loans, and

- 1 hardship withdrawals) or be directed by the participating employer to cease
2 accepting new contributions, loans, and hardship withdrawals.
- 3 (3) Investment options shall be solely determined by the Department of State
4 Treasurer and the Supplemental Retirement Board of Trustees for the North
5 Carolina Supplemental Retirement Plans consistent with section 403(b) of the
6 Internal Revenue Code of 1986, as amended.
- 7 (4) Investment staff of the Department of State Treasurer may make
8 recommendations to the State Treasurer and the Supplemental Retirement
9 Board of Trustees for the North Carolina Supplemental Retirement Plans as to
10 appropriate investment options. The Pursuant to G.S. 135-96, the State
11 Treasurer and Board of Trustees shall have sole responsibility for the selection
12 of the vendor, third-party administrator, providers of investment options, and
13 any other service provider for the North Carolina Public School Teachers' and
14 Professional Educators' Investment Plan.
- 15 (5) All contributions made in accordance with the provisions of section 403(b) of
16 the Internal Revenue Code of 1986, as amended, and this section shall be
17 remitted directly to the administrator and held by the administrator in a
18 custodial account on behalf of each participating employee. Any investment
19 gains or losses shall be credited to those accounts. The forms of payment and
20 disbursement procedures shall be consistent with those generally offered by
21 similar annuity contracts, trust accounts, and custodial accounts and applicable
22 federal and State statutes governing those contracts and accounts.
- 23 (6) Any local board of education may elect to make contributions to the employee's
24 account on behalf of the employee. The employer shall take whatever action is
25 necessary to implement this section.
- 26 (7) The design and administration of annuity contracts, trust accounts, and
27 custodial accounts under this provision shall comply with all applicable
28 provisions of the Internal Revenue Code of 1986, as amended."

29 **SECTION 18.(b)** G.S. 115D-25.4(b) reads as rewritten:

30 "(b) The criteria in this subsection apply to the Department of State Treasurer's 403(b)
31 offerings to employees of local boards of trustees under this section:

- 32 (1) Annuity contracts, trust accounts, and/or custodial accounts shall be
33 administered by a qualified third-party administrator that shall, under written
34 agreement with the Department of State Treasurer, provide custodial,
35 record-keeping, and administrative services. The third-party administrator may
36 also be the selected vendor for the North Carolina Public School Teachers' and
37 Professional Educators' Investment Plan.

38 For local boards of trustees as employers choosing to participate in the
39 North Carolina Public School Teachers' and Professional Educators' Investment
40 Plan, the third-party administrator shall, at a minimum, provide the following:

- 41 a. Maintain a written plan document.
- 42 b. Review hardship withdrawal requests, loan requests, and other
43 disbursements permitted under section 403(b) of the Internal Revenue
44 Code of 1986.
- 45 c. Maintain specimen salary reduction agreements for the employer and
46 employees of that employer to initiate payroll deferrals.
- 47 d. Monitor maximum contributions.
- 48 e. Coordinate responses to the Internal Revenue Service in any case of an
49 IRS audit.
- 50 f. Generate educational communication materials to employees concerning
51 the enrollment process, program eligibility, and investment options.

- 1 g. Maintain internal reports to ensure compliance with section 403(b) of
2 the Internal Revenue Code and Title 26 of the Code of Federal
3 Regulations.
4 h. Provide compliance monitoring/oversight for all 403(b) plans
5 established under G.S. 115D-25 within each participating local board of
6 trustees plan by creating and establishing the necessary connections and
7 processes with existing and future vendors.
8 i. Keep an updated schedule of vendor fees and commissions as to the
9 Department's statewide ~~plan~~ plan of 403(b) offerings.
- 10 (2) Governance and oversight of the North Carolina Public School Teachers' and
11 Professional Educators' Investment Plan will be performed under Article 5 of
12 Chapter 135 of the General Statutes by the Department of State Treasurer and
13 the Supplemental Retirement Board of Trustees for the North Carolina
14 Supplemental Retirement Plans established pursuant to G.S. 135-96. Because of
15 the administrative and record-keeping duties enumerated in subdivision (1) of
16 this subsection, any existing vendor of a 403(b) with a participating employer
17 must either agree to share data with the State's 403(b) vendor under this
18 provision (so as to permit oversight over contribution limits, loans, and
19 hardship withdrawals) or be directed by the participating employer to cease
20 accepting new contributions, loans, and hardship withdrawals.
- 21 (3) Investment options shall be solely determined by the Department of State
22 Treasurer and the Supplemental Retirement Board of Trustees for the North
23 Carolina Supplemental Retirement Plans consistent with section 403(b) of the
24 Internal Revenue Code of 1986, as amended.
- 25 (4) Investment staff of the Department of State Treasurer may make
26 recommendations to the State Treasurer and the Supplemental Retirement
27 Board of Trustees for the North Carolina Supplemental Retirement Plans as to
28 appropriate investment options. The Pursuant to G.S. 135-96, the State
29 Treasurer and Board of Trustees shall have sole responsibility for the selection
30 of the vendor, third-party administrator, providers of investment options, and
31 any other service provider for the North Carolina Public School Teachers' and
32 Professional Educators' Investment Plan.
- 33 (5) All contributions made in accordance with the provisions of section 403(b) of
34 the Internal Revenue Code of 1986, as amended, and this section shall be
35 remitted directly to the administrator and held by the administrator in a
36 custodial account on behalf of each participating employee. Any investment
37 gains or losses shall be credited to those accounts. The forms of payment and
38 disbursement procedures shall be consistent with those generally offered by
39 similar annuity contracts, trust accounts, and custodial accounts and applicable
40 federal and State statutes governing those contracts and accounts.
- 41 (6) Any local board of trustees may elect to make contributions to the employee's
42 account on behalf of the employee. The local board of trustees shall take
43 whatever action is necessary to implement this section.
- 44 (7) The design and administration of annuity contracts, trust accounts, and
45 custodial accounts under this provision shall comply with all applicable
46 provisions of the Internal Revenue Code of 1986, as amended."

47 **SECTION 19.** G.S. 115C-436 is amended by adding a new subsection to read:

48 "(c) Upon receipt of a report from the North Carolina Teachers' and State Employees'
49 Retirement System, generated pursuant to G.S. 135-8(f)(2)f., containing a list of employees for
50 whom the local board of education made a contribution to the North Carolina Teachers' and State
51 Employees' Retirement System that is likely to require an additional employer contribution should

1 the employee elect to retire in the following 12 months, the school financial officer shall transmit a
2 copy of the report to the local board of education. The school financial officer shall also notify the
3 board of county commissioners of the county in which the local administrative unit is located that
4 the report was received and the number of employees listed in the report."

5 **SECTION 20.(a)** G.S. 135-1(7a) reads as rewritten:

6 "(7a) a. "Compensation" shall ~~mean~~mean, for members who became members
7 prior to January 1, 2017, all salaries and wages prior to any reduction
8 pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the
9 Internal Revenue Code, not including any terminal payments for unused
10 sick leave, derived from public funds which are earned by a member of
11 the Retirement System for service as an employee or teacher in the unit
12 of the Retirement System for which he is performing full-time work. In
13 addition to the foregoing, "compensation" shall ~~include~~include the
14 following:

- 15 1. Performance-based compensation (regardless of whether paid in
16 a lump sum, in periodic installments, or on a monthly
17 basis);basis).
- 18 2. Conversion of additional benefits to salary (additional benefits
19 such as health, life, or disability plans), so long as the benefits
20 are other than mandated by State law or ~~regulation~~regulation.
- 21 3. Payment of tax consequences for benefits provided by the
22 employer, so long as they constitute an adjustment or increase in
23 salary and not a "reimbursement of ~~expenses~~"expenses."
- 24 4. Payout of vacation ~~leave~~leave, so long as such payouts are
25 permitted by applicable law and ~~regulation~~regulation.
- 26 5. Employee contributions to eligible deferred compensation ~~plans~~
27 andplans.
- 28 6. Effective July 1, 2009, payment of military differential wages.

29 a1. "Compensation" shall mean, for members who became members on or
30 after January 1, 2017, all salaries and wages prior to any reduction
31 pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the
32 Internal Revenue Code, not including any terminal payments for unused
33 sick leave, derived from public funds which are earned by a member of
34 the Retirement System for service as an employee or teacher in the unit
35 of the Retirement System for which he or she is performing full-time
36 work. In addition to the foregoing, "compensation" shall include the
37 following:

- 38 1. Performance-based compensation (regardless of whether paid in
39 a lump sum, in periodic installments, or on a monthly basis).
- 40 2. Payment of tax consequences for benefits provided by the
41 employer, so long as they constitute an adjustment or increase in
42 salary and not a "reimbursement of expenses."
- 43 3. Payout of vacation leave, so long as such payouts are permitted
44 by applicable law and regulation.
- 45 4. Employee contributions to eligible deferred compensation plans.
- 46 5. Payment of military differential wages.

47 b. "Compensation" shall not include any payment, as determined by the
48 Board of Trustees, for the reimbursement of expenses or payments for
49 housing or any other allowances whether or not classified as salary and
50 wages. "Compensation" includes all special pay contribution of annual
51 leave made to a 401(a) Special Pay Plan for the benefit of an employee.

Notwithstanding any other provision of this Chapter, "compensation" shall not include:

1. Supplement/allowance provided to employee to purchase additional benefits such as health, life, or disability plans;
2. Travel supplement/allowance (nonaccountable allowance plans);
3. Employer contributions to eligible deferred compensation plans;
4. Employer-provided fringe benefits (additional benefits such as health, life, or disability plans);
5. Reimbursement of uninsured medical expenses;
6. Reimbursement of business expenses;
7. Reimbursement of moving expenses;
8. Reimbursement/payment of personal expenses;
9. Incentive payments for early retirement;
10. Bonuses paid incident to retirement;
- 10a. Local supplementation as authorized under G.S. 7A-300.1 for Judicial Department employees;
11. Contract buyout/severance payments; and
12. Payouts for unused sick leave.
13. For members who became members after January 1, 2017, conversion of additional benefits to salary, such as health, life, or disability plans, so long as the benefits are other than mandated by State law or regulation.

- c. In the event an employer reports as "compensation" payments not specifically included or excluded as "compensation", such payments shall be "compensation" for retirement purposes only if the employer pays the Retirement System the additional actuarial liability created by such payments."

SECTION 20.(b) G.S. 128-21(7a) reads as rewritten:

"(7a) a. "Compensation" shall ~~mean~~mean, for members who became members prior to January 1, 2017, all salaries and wages prior to any reduction pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the Internal Revenue Code, not including any terminal payments for unused sick leave, derived from public funds which are earned by a member of the Retirement System for service as an employee in the unit of the Retirement System for which he is performing full-time work. In addition to the foregoing, "compensation" shall ~~include~~include the following:

1. Performance-based compensation (regardless of whether paid in a lump sum, periodic installments, or on a monthly ~~basis~~;basis).
2. Conversion of additional benefits to salary (additional benefits such as health, life, or disability plans), so long as the benefits are other than mandated by State law or ~~regulation~~regulation.
3. Payment of tax consequences for benefits provided by the employer so long as they constitute an adjustment or increase in salary and not a "reimbursement of ~~expenses~~";expenses."
4. Payout of vacation ~~leave~~leave, so long as such payouts are permitted by applicable law and ~~regulation~~regulation.
5. Employee contributions to eligible deferred compensation ~~plans~~and plans.
6. Effective July 1, 2009, payment of military differential wages.

- 1 a1. "Compensation" shall mean, for members who became members on or
2 after January 1, 2017, all salaries and wages prior to any reduction
3 pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the
4 Internal Revenue Code, not including any terminal payments for unused
5 sick leave, derived from public funds which are earned by a member of
6 the Retirement System for service as an employee in the unit of the
7 Retirement System for which he or she is performing full-time work. In
8 addition to the foregoing, "compensation" shall include the following:
9 1. Performance-based compensation (regardless of whether paid in
10 a lump sum, in periodic installments, or on a monthly basis).
11 2. Payment of tax consequences for benefits provided by the
12 employer, so long as they constitute an adjustment or increase in
13 salary and not a "reimbursement of expenses."
14 3. Payout of vacation leave, so long as such payouts are permitted
15 by applicable law and regulation.
16 4. Employee contributions to eligible deferred compensation plans.
17 5. Payment of military differential wages.
18 b. "Compensation" shall not include any payment, as determined by the
19 Board of Trustees, for the reimbursement of expenses or payments for
20 housing or any other allowances whether or not classified as salary and
21 wages. Notwithstanding any other provision of this Chapter,
22 "compensation" shall not include:
23 1. Supplement/allowance provided to employee to purchase
24 additional benefits such as health, life, or disability plans;
25 2. Travel supplement/allowance (nonaccountable allowance plans);
26 3. Employer contributions to eligible deferred compensation plans;
27 4. Employer-provided fringe benefits (additional benefits such as
28 health, life, or disability plans);
29 5. Reimbursement of uninsured medical expenses;
30 6. Reimbursement of business expenses;
31 7. Reimbursement of moving expenses;
32 8. Reimbursement/payment of personal expenses;
33 9. Incentive payments for early retirement;
34 10. Bonuses paid incident to retirement;
35 11. Contract buyout/severance payments; and
36 12. Payouts for unused sick leave.
37 13. For members who became members after January 1, 2017,
38 conversion of additional benefits to salary, such as health, life, or
39 disability plans, so long as the benefits are other than mandated
40 by State law or regulation.
41 c. In the event an employer reports as "compensation" payments not
42 specifically included or excluded as "compensation", such payments
43 shall be "compensation" for retirement purposes only if the employer
44 pays the Retirement System the additional actuarial liability created by
45 such payments."

46 **SECTION 20.(c)** This section becomes effective January 1, 2017.

47 **SECTION 21.** If any provision of this act or its application is held invalid, the
48 invalidity does not affect other provisions or applications of this act that can be given effect
49 without the invalid provisions or application, and to this end the provisions of this act are
50 severable.

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SECTION 22. Except as otherwise provided, this act is effective when it becomes law.



GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2015

H

D

HOUSE BILL 1134

PROPOSED COMMITTEE SUBSTITUTE H1134-CSSH-66 [v.12]

5/30/2016 7:20:03 PM

Short Title: Admin. Changes Retirement System/Treasurer.

(Public)

Sponsors:

Referred to:

May 23, 2016

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE ADMINISTRATIVE CHANGES TO THE RETIREMENT SYSTEM AND
3 TO MAKE OTHER CHANGES AFFECTING THE STATE TREASURER.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.(a)** G.S. 58-86-2 is amended by adding a new subdivision to read:

6 "(9a) "Killed in the line of duty" has the same meaning as in G.S. 143-166.2(c)."

7 **SECTION 1.(b)** G.S. 58-86-55 is amended by adding a new subsection to read:

8 "(d1) Benefits shall be paid in the following manner when a member is killed in the line of
9 duty and the requirements of Article 12A of Chapter 143 of the General Statutes are met:

10 (1) If the member had been receiving a monthly pension fund benefit prior to being
11 killed in the line of duty, there shall be paid to the member's principal
12 beneficiary, if only one principal beneficiary is eligible, an amount of one
13 hundred seventy dollars (\$170.00) per month beginning the month following
14 the member's month of death payable for 300 months or until the beneficiary's
15 death, whichever occurs first.

16 (2) If the member had been receiving a monthly pension fund benefit prior to being
17 killed in the line of duty and the beneficiary is not payable as described in
18 subdivision (1) of this section, a lump sum payment equal to the difference
19 between the amount paid into the member's separate account by or on behalf of
20 the member and the amount received by the member as a pensioner will be paid
21 to the eligible beneficiaries, or if there are no eligible beneficiaries, shall be
22 paid to the member's estate.

23 (3) If the member had not yet begun receiving a monthly benefit prior to being
24 killed in the line of duty, there shall be paid to the member's principal
25 beneficiary, if only one principal beneficiary is eligible, an amount of one
26 hundred seventy dollars (\$170.00) per month beginning the month following
27 the month the member would have attained age 55, or if the member had
28 already attained age 55, beginning the month following the member's month of
29 death, payable for 300 months or until the beneficiary's death, whichever occurs
30 first.

31 (4) If the member had not begun receiving a monthly benefit prior to being killed
32 in the line of duty and the beneficiary is not payable as described in subdivision
33 (3) of this section, a lump sum payment equal to the member's contributions
34 will be paid to the eligible beneficiaries, or if there are no eligible beneficiaries,
35 a return of the contributions shall be paid to the member's estate.



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1 A beneficiary under this subsection shall not be required to make the monthly payment of ten
2 dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40 after the member has been killed
3 in the line of duty."

4 **SECTION 1.(c)** G.S. 58-86-60 reads as rewritten:

5 **"§ 58-86-60. Payments in lump sums.**

6 The board shall direct payment in lump sums from the fund in the following cases:

- 7 (1) To any firefighter or rescue squad worker upon the attaining of the age of 55
8 years, who, for any reason, is not qualified to receive the monthly retirement
9 pension and who was enrolled as a member of the fund, an amount equal to the
10 amount paid into the fund by him. This provision shall not be construed to
11 preclude any active firefighter or rescue squad worker from completing the
12 requisite number of years of active service after attaining the age of 55 years
13 necessary to entitle the firefighter or rescue squad worker to the pension.
- 14 (2) If any firefighter or rescue squad worker ~~dies~~dies, except if the individual is
15 killed in the line of duty, before attaining the age at which a pension is payable
16 to the firefighter or rescue squad worker under the provisions of this Article,
17 there shall be paid to his or her surviving spouse, or if there be no surviving
18 spouse, to the person responsible for his or her child or children, or if there be
19 no surviving spouse or children, then to his or her heirs at law as may be
20 determined by the board or to his or her estate, if it is administered and there are
21 no heirs, to the person or persons designated by the member, or if the member
22 has not designated a beneficiary, to the surviving spouse of the deceased
23 member, or if not survived by a designated beneficiary or spouse, to the
24 deceased member's legal representative, an amount equal to the amount paid
25 into the member's separate account by or on behalf of the said firefighter or
26 rescue squad worker.
- 27 (3) If any firefighter or rescue squad worker ~~dies~~dies, except if the individual is
28 killed in the line of duty, after beginning to receive the pension payable to the
29 firefighter or rescue squad worker by this Article, and before receiving an
30 amount equal to the amount paid into the fund by him or her, there shall be paid
31 to his or her surviving spouse, or if there be no surviving spouse, then to the
32 person responsible for his or her child or children, or if there be no surviving
33 spouse or children, then to his or her heirs at law as may be determined by the
34 board or to his or her estate, if it is administered and there are no heirs, to the
35 person or persons designated by the member, or if the member has not
36 designated a beneficiary, to the surviving spouse of the deceased retired
37 member, or if not survived by a designated beneficiary or spouse, to the
38 deceased retired member's legal representative, an amount equal to the
39 difference between the amount paid into the member's separate account by or
40 on behalf of the said firefighter or rescue squad worker and the amount received
41 by him or her as a pensioner.
- 42 (4) Any member who withdraws from the fund shall, upon proper application, be
43 paid all moneys without accumulated earnings on the payments after the time
44 they were made. A member may not purchase time under G.S. 58-86-45 for
45 which he or she has received a refund."

46 **SECTION 1.(d)** This section becomes effective July 1, 2018, and applies to benefits
47 paid when a member is killed in the line of duty on or after that date.

48 **SECTION 2.(a)** G.S. 58-86-90 reads as rewritten:

49 **"§ 58-86-90. Exemptions of pensions from attachment; rights nonassignable.**

50 Except for the applications of the provisions of G.S. 110-136, and in connection with a
51 court-ordered equitable distribution under G.S. 50-20, the pensions provided are not subject to

attachment, garnishments or judgments against the firefighter or rescue squad worker entitled to them, nor are any rights in the fund or the pensions or benefits assignable. Notwithstanding any provisions to the contrary, any overpayment of benefits to a member in a State-administered retirement system, the Disability Salary Continuation Plan, or the Disability Income Plan of North Carolina, including any benefits paid to, or State Health Plan premiums paid on behalf of, any member who is later determined to have been ineligible for those benefits, may be offset against any retirement allowance, return of contributions, or any other right accruing under this Article to the same person, the person's estate, or designated beneficiary."

SECTION 2.(b) G.S. 135-5(n) reads as rewritten:

"(n) No action shall be commenced against the State or the Retirement System by any retired member or beneficiary respecting any deficiency in the payment of benefits more than three years after such deficient payment was made, and no action shall be commenced by the State or the Retirement System against any retired member or former member or beneficiary respecting any overpayment of benefits or contributions more than three years after such overpayment was made. This subsection does not affect the right of the Retirement System to recoup overpaid benefits as provided in G.S. 135-9."

SECTION 2.(c) G.S. 128-27(i) reads as rewritten:

"(i) No action shall be commenced against the State or the Retirement System by any retired member or beneficiary respecting any deficiency in the payment of benefits more than three years after such deficient payment was made, and no action shall be commenced by the State or the Retirement System against any retired member or former member or beneficiary respecting any overpayment of benefits or contributions more than three years after such overpayment was made. This subsection does not affect the right of the Retirement System to recoup overpaid benefits as provided in G.S. 128-31."

SECTION 2.(d) This section becomes effective January 1, 2017.

SECTION 3.(a) G.S. 135-1 is amended by adding a new subdivision to read:

"(14a) "Normal retirement age" shall mean, only for persons who became members on or after January 1, 2017:

- a. For members who are not law enforcement officers or eligible former law enforcement officers, (i) 55 years of age or older with 30 years of creditable service, (ii) 60 years of age or older with 25 years of creditable service, or (iii) 65 years of age or older with five years of membership service.
- b. For members who are law enforcement officers or eligible former law enforcement officers, 50 years of age or older with 30 years of creditable service or 55 years of age or older with five years of membership service and five years of creditable service as a law enforcement officer which may or may not be concurrent to the five years of membership service.

SECTION 3.(b) G.S. 135-5(a) reads as rewritten:

"(a) Service Retirement Benefits.

(1) Any member may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution of and filing thereof, ~~hethe~~ the member desires to be retired: Provided, that the said member at the time so specified for ~~histhe~~ the member's retirement shall have attained the age of 60 years and have at least five years of membership service or shall have completed 30 years of creditable service.

(1a) Repealed by Session Laws 2014-88, s. 3(b), effective July 30, 2014.

(1b) Any member who became a member on or after January 1, 2017, may retire upon electronic submission or written application to the Board of Trustees

1 setting forth at what time, as of the first day of a calendar month, not less than
2 one day nor more than 120 days subsequent to the execution of and filing
3 thereof, the member desires to be retired; Provided, that the member at the time
4 so specified for the member's retirement shall have attained normal retirement
5 age.

6 (2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.

7 (3) Any member who was in service October 8, 1981, who had attained 60 years of
8 age, may retire upon electronic submission or written application to the Board
9 of Trustees setting forth at what time, as of the first day of a calendar month,
10 not less than one day nor more than 120 days subsequent to the execution and
11 filing thereof, he desires to be retired.

12 (4) Any member who became a member prior to January 1, 2017, who is a
13 law-enforcement officer, and who attains age 50 and completes 15 or
14 more years of creditable service in this capacity or who attains age 55 and
15 completes five or more years of creditable service in this capacity, may retire
16 upon electronic submission or written application to the Board of Trustees
17 setting forth at what time, as of the first day of a calendar month, not less than
18 one day nor more than 120 days subsequent to the execution and filing thereof,
19 ~~he~~ the member desires to be retired; Provided, also, any member who has met
20 the conditions herein required but does not retire, and later becomes a teacher or
21 an employee other than as a law-enforcement officer shall continue to have the
22 right to commence retirement.

23 (4a) Repealed by Session Laws 2014-88, s. 3(b), effective July 30, 2014.

24 (4b) Any member who became a member on or after January 1, 2017, who is a law
25 enforcement officer and who has attained normal retirement age, may retire
26 upon electronic submission or written application to Board of Trustees setting
27 forth at what time, as of the first day of a calendar month, not less than one day
28 nor more than 120 days subsequent to the extension and filing thereof, the
29 member desires to be retired; provided that any member who has met the
30 conditions herein required but does not retire and later becomes a teacher or an
31 employee other than as a law enforcement officer shall continue to have the
32 right to commence retirement.

33"

34 **SECTION 3.(c)** G.S. 135-5(b19) reads as rewritten:

35 "(b19) Service Retirement Allowance of Members Who Became Members Prior to January 1,
36 2017. Retiring on or After July 1, 2002. – Upon retirement from service in accordance with
37 subsection (a) or (a1) of this section, on or after July 1, 2002, a member who became a member
38 prior to January 1, 2017, shall receive the following service retirement allowance:

39 (1) A member who is a law enforcement officer or an eligible former law
40 enforcement officer shall receive a service retirement allowance computed as
41 follows:

42 a. If the member's service retirement date occurs on or after ~~his~~ the
43 member's 55th birthday, and completion of five years of creditable
44 service as a law enforcement officer, or after the completion of 30 years
45 of creditable service, the allowance shall be equal to one and eighty-two
46 hundredths percent (1.82%) of ~~his~~ the member's average final
47 compensation, multiplied by the number of years of ~~his~~ the member's
48 creditable service.

49 b. If the member's service retirement date occurs on or after ~~his~~ the
50 member's 50th birthday and before ~~his~~ the member's 55th birthday with
51 15 or more years of creditable service as a law enforcement officer and

1 prior to the completion of 30 years of creditable service, ~~his~~the
2 member's retirement allowance shall be equal to the greater of:

- 3 1. The service retirement allowance payable under
4 G.S. 135-5(b19)(1)a. reduced by one-third of one percent (1/3 of
5 1%) thereof for each month by which ~~his~~the member's retirement
6 date precedes the first day of the month coincident with or next
7 following the month the member would have attained his or her
8 55th birthday; or
- 9 2. The service retirement allowance as computed under
10 G.S. 135-5(b19)(1)a. reduced by five percent (5%) times the
11 difference between 30 years and ~~his~~the member's creditable
12 service at retirement.

13 (2) A member who is not a law enforcement officer or an eligible former law
14 enforcement officer shall receive a service retirement allowance computed as
15 follows:

- 16 a. If the member's service retirement date occurs on or after ~~his~~the
17 member's 65th birthday upon the completion of five years of
18 membership service or after the completion of 30 years of creditable
19 service or on or after ~~his~~the member's 60th birthday upon the
20 completion of 25 years of creditable service, the allowance shall be
21 equal to one and eighty-two hundredths percent (1.82%) of ~~his~~ the
22 member's average final compensation, multiplied by the number of
23 years of creditable service.
- 24 b. If the member's service retirement date occurs after ~~his~~the member's
25 60th birthday and before ~~his~~the member's 65th birthday and prior to
26 ~~his~~the member's completion of 25 years or more of creditable service,
27 ~~his~~the member's retirement allowance shall be computed as in
28 G.S. 135-5(b19)(2)a. but shall be reduced by one-quarter of one percent
29 (1/4 of 1%) thereof for each month by which ~~his~~the member's retirement
30 date precedes the first day of the month coincident with or next
31 following ~~his~~the member's 65th birthday.
- 32 c. If the member's early service retirement date occurs on or after ~~his~~the
33 member's 50th birthday and before ~~his~~the member's 60th birthday and
34 after completion of 20 years of creditable service but prior to the
35 completion of 30 years of creditable service, ~~his~~the member's early
36 service retirement allowance shall be equal to the greater of:
 - 37 1. The service retirement allowance as computed under
38 G.S. 135-5(b19)(2)a. but reduced by the sum of five-twelfths of
39 one percent (5/12 of 1%) thereof for each month by which ~~his~~the
40 member's retirement date precedes the first day of the month
41 coincident with or next following the month the member would
42 have attained his or her 60th birthday, plus one-quarter of one
43 percent (1/4 of 1%) thereof for each month by which ~~his~~the
44 member's 60th birthday precedes the first day of the month
45 coincident with or next following ~~his~~the member's 65th birthday;
46 or
 - 47 2. The service retirement allowance as computed under
48 G.S. 135-5(b19)(2)a. reduced by five percent (5%) times the
49 difference between 30 years and ~~his~~the member's creditable
50 service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b19)(2)b.

d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1963, shall not receive less than the benefit provided by G.S. 135-5(b)."

SECTION 3.(d) G.S. 135-5 is amended by adding a new subsection to read:

"(b21) Service Retirement Allowance of Members Who Became a Member On or After January 1, 2017. – Upon retirement from service in accordance with subsection (a) or (a1) of this section, a member who became a member on or after January 1, 2017, shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member has attained normal retirement age, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of the member's average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs on or after the member's 50th birthday, and before the member's 55th birthday, with 15 or more years of creditable service as a law enforcement officer and prior to the normal retirement age, the member's retirement allowance shall be equal to the greater of the following amounts:

1. The service retirement allowance payable under G.S. 135-5(b21)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained age 55.

2. The service retirement allowance as computed under G.S. 135-5(b21)(1)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained normal retirement age had the member continued working.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member has attained normal retirement age, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of the member's average final compensation multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after the member's 60th birthday and before the member's 65th birthday and prior to the member's completion of 25 years or more of creditable service, the retirement allowance shall be computed as in G.S. 135-5(b21)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the member's 65th birthday.

- c. If the member's early service retirement date occurs on or after the member's 50th birthday and before the member's 60th birthday and after completion of 20 years creditable service but prior to the normal retirement age, the early service retirement allowance shall be equal to the greater of the following amounts:
1. The service retirement allowance as computed under G.S. 135-5(b21)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained age 60, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which the member's 60th birthday precedes the first day of the month coincident with or next following the member's 65th birthday.
 2. The service retirement allowance as computed under G.S. 135-5(b21)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained normal retirement age had the member continued working."

SECTION 3.(e) G.S. 135-5 is amended by adding a new subsection to read:

"(m5) Survivor's Alternate Benefit. – Upon the death of a member in service, who became a member on or after January 1, 2017, the beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option 2 of subsection (g) of this section computed by assuming that the member had retired on the first day of the month following the date of the member's death, provided that all four of the following conditions apply:

- (1)
 - a. The member had attained such age or creditable service to be eligible to commence retirement with an early or service retirement allowance, or
 - b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with G.S. 135-5(b21)(1)b. or G.S. 135-5(b21)(2)c., notwithstanding the requirement of obtaining age 50, or
 - b1. The member was a law enforcement officer who had obtained 15 years of service as a law enforcement officer and was killed in the line of duty, in which case the retirement allowance shall be computed in accordance with G.S. 135-5(b21)(1)b., notwithstanding the requirement of obtaining age 50.
- (2) At the time of the member's death, one and only one beneficiary is eligible to receive a return of the member's accumulated contributions.
- (3) The member had not instructed the Board of Trustees in writing that the member did not wish the provisions of this subsection to apply.
- (4) The member had not commenced to receive a retirement allowance as provided under this Chapter.

For the purpose of this benefit, a member is considered to be in service at the date of death if the member's death occurs within 180 days from the last day of the member's actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after

notification of the cost to make the purchase. The term "in service" as used in this subsection includes a member in receipt of a benefit under the Disability Income Plan as provided in Article 6 of this Chapter.

Notwithstanding the foregoing, a member who is in receipt of Workers' Compensation during the period for which the member would have otherwise been eligible to receive short-term benefits, as provided in G.S. 135-105, and who dies on or after 181 days from the last day of the member's actual service but on or before the date the benefits as provided in G.S. 135-105 would have ended, shall be considered in service at the time of the member's death for the purpose of this benefit.

For the purpose of calculating this benefit, any terminal payouts made after the date of death that meet the definition of compensation shall be credited to the month prior to the month of death. These terminal payouts do not include salary or wages paid for work performed during the month of death."

SECTION 3.(f) G.S. 128-21 is amended by adding a new subdivision to read:

"(14a) "Normal retirement age" shall mean, only for persons who became members on or after January 1, 2017:

- a. For members who are not law enforcement officers or eligible former law enforcement officers, (i) 55 years of age or older with 30 years of creditable service, (ii) 60 years of age or older with 25 years of creditable service, or (iii) 65 years of age or older with five years of creditable service.
- b. For members who are law enforcement officers or eligible former law enforcement officers, 50 years of age or older with 30 years of creditable service or 55 years of age or older with five years of creditable service as a law enforcement officer."

SECTION 3.(g) G.S. 128-27(a) reads as rewritten:

"(a) Service Retirement Benefits. –

- (1) Any member may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, ~~hethe member~~ desires to be retired: Provided, that the said member at the time so specified for ~~histhe member's~~ retirement shall have attained the age of 60 years and have at least five years of creditable service or shall have completed 30 years of creditable service, or if a firefighter or rescue squad worker, ~~hethe member~~ shall have attained the age of 55 years and have at least five years of creditable service.

- (1b) Any member who became a member on or after January 1, 2017, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution of and filing thereof, the member desires to be retired; Provided, that the member at the time so specified for the member's retirement shall have attained normal retirement age.

- (2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.

- (3) Repealed by Session Laws 1971, c. 325, s. 12.

- (4) Any member who was in service October 8, 1981, who had attained 60 years of age, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired.

(5) Any member who became a member prior to January 1, 2017, who is a law enforcement officer, and who attains age 50 and completes 15 or more years of creditable service in this capacity or who attains age 55 and completes five or more years of creditable service in this capacity, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, ~~he~~the member desires to be retired; provided, also, any member who has met the conditions required by this subdivision but does not retire, and later becomes an employee other than as a law enforcement officer, continues to have the right to commence retirement.

(6) Any member who became a member on or after January 1, 2017, who is a law enforcement officer and who has attained normal retirement age may retire upon electronic submission or written application to Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the extension and filing thereof, the member desires to be retired; provided that any member who has met the conditions herein required but does not retire and later becomes a teacher or an employee other than as a law enforcement officer shall continue to have the right to commence retirement."

SECTION 3.(h) G.S. 128-27(b1) reads as rewritten:

"(b21) Service Retirement Allowance of Member Who Became a Member Prior to January 1, 2017, Retiring on or After July 1, 2003. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2003, a member who became a member prior to January 1, 2017, shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after ~~his~~the member's 55th birthday and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-five hundredths percent (1.85%) of ~~his~~the member's average final compensation, multiplied by the number of years of ~~his~~the member's creditable service.

b. If the member's service retirement date occurs on or after ~~his~~the member's 50th birthday and before ~~his~~the member's 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, ~~his~~the member's retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 128-27(b21)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which ~~his~~the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained his or her 55th birthday;

2. The service retirement allowance as computed under G.S. 128-27(b21)(1)a. reduced by five percent (5%) times the difference between 30 years and ~~his~~the member's creditable service at retirement.

- (2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:
- a. If the member's service retirement date occurs on or after ~~his~~the member's 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after ~~his~~the member's 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-five hundredths percent (1.85%) of average final compensation, multiplied by the number of years of creditable service.
 - b. If the member's service retirement date occurs after ~~his~~the member's 60th birthday and before ~~his~~the member's 65th birthday and prior to ~~his~~the member's completion of 25 years or more of creditable service, ~~his~~the member's retirement allowance shall be computed as in G.S. 128-27(b21)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which ~~his~~the member's retirement date precedes the first day of the month coincident with or next following ~~his~~the member's 65th birthday.
 - c. If the member's early service retirement date occurs on or after ~~his~~the member's 50th birthday and before ~~his~~the member's 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, ~~his~~the member's early service retirement allowance shall be equal to the greater of:
 1. The service retirement allowance as computed under G.S. 128-27(b21)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which ~~his~~the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained ~~his or her~~ 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which ~~his~~the member's 60th birthday precedes the first day of the month coincident with or next following ~~his~~the member's 65th birthday; or
 2. The service retirement allowance as computed under G.S. 128-27(b21)(2)a. reduced by five percent (5%) times the difference between 30 years and ~~his~~the member's creditable service at retirement; or
 3. If the member's creditable service commenced prior to July 1, 1995, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 128-27(b21)(2)b.
 - d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1965, shall not receive less than the benefit provided by G.S. 128-27(b)."

SECTION 3.(i) G.S. 128-27 is amended by adding a new subsection to read:

"(b22) Service Retirement Allowance of Members Who Became a Member On or After January 1, 2017. – Upon retirement from service in accordance with subsection (a) or (a1) of this section, a member who became a member on or after January 1, 2017, shall receive the following service retirement allowance:

- (1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:
- a. If the member has attained normal retirement age, the allowance shall be equal to one and eighty-five hundredths percent (1.85%) of the member's average final compensation, multiplied by the number of years of creditable service.
 - b. If the member's service retirement date occurs on or after the member's 50th birthday, and before the member's 55th birthday, with 20 or more years of creditable service as a law enforcement officer and prior to the normal retirement age, the member's retirement allowance shall be equal to the greater of the following amounts:
 1. The service retirement allowance payable under G.S. 128-27(b22)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained age 55.
 2. The service retirement allowance as computed under G.S. 128-27(b22)(1)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained normal retirement age had the member continued working.
- (2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:
- a. If the member has attained normal retirement age, the allowance shall be equal to one and eighty-five hundredths percent (1.85%) of the member's average final compensation multiplied by the number of years of creditable service.
 - b. If the member's service retirement date occurs after the member's 60th birthday and before the member's 65th birthday and prior to the member's completion of 25 years or more of creditable service, the retirement allowance shall be computed as in G.S. 128-27(b22)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the member's 65th birthday.
 - c. If the member's early service retirement date occurs on or after the member's 50th birthday and before the member's 60th birthday and after completion of 20 years creditable service but prior to the completion of 30 years of creditable service and the normal retirement age, the early service retirement allowance shall be equal to the greater of the following amounts:
 1. The service retirement allowance as computed under G.S. 128-27(b22)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained age 60, plus one-quarter of one percent (1/4 of 1%)

thereof for each month by which the member's 60th birthday precedes the first day of the month coincident with or next following the member's 65th birthday.

2. The service retirement allowance as computed under G.S. 128-27(b22)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained normal retirement age had the member continued working.

3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed under G.S. 128-27(b22)(2)b."

SECTION 3.(j) G.S. 128-27 is amended by adding a new subsection to read:

"(m4) Survivor's Alternate Benefit. – Upon the death of a member in service, the beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option two of subsection (g) of this section computed by assuming that the member had retired on the first day of the month following the date of the member's death, provided that all four of the following conditions apply:

- (1) a. The member had attained such age or creditable service to be eligible to commence retirement with an early or service retirement allowance, or
 - b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with G.S. 128-27(b22)(1)b. or G.S. 128-27(b22)(2)c., notwithstanding the requirement of obtaining age 50, or
 - b1. The member was a law enforcement officer who had obtained 15 years of service as a law enforcement officer and was killed in the line of duty, or the member was a firefighter or a rescue squad worker who had obtained 15 years of service as a firefighter or a rescue squad worker and was killed in the line of duty, in which cases the retirement allowance shall be computed in accordance with G.S. 128-27(b22)(1)b., notwithstanding the requirement of obtaining age 50.
- (2) At the time of the member's death, one and only one beneficiary is eligible to receive a return of the member's accumulated contributions.
 - (3) The member had not instructed the Board of Trustees in writing that the member did not wish the provisions of this subsection apply.
 - (4) The member had not commenced to receive a retirement allowance as provided under this Chapter.

For the purpose of this benefit, a member is considered to be in service at the date of the member's death if the death occurs within 180 days from the last day of the member's actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase.

For the purpose of calculating this benefit, any terminal payouts made after the date of death that meet the definition of compensation shall be credited to the month prior to the month of death. These terminal payouts do not include salary or wages paid for work performed during the month of death."

SECTION 3.(k) G.S. 135-53 is amended by adding a new subdivision to read:

1 "(12a) "Normal retirement age" shall mean, only for persons who became members on
2 or after January 1, 2017, 55 years of age or older with 30 years of creditable
3 service or 65 years of age or older with five years of membership service."

4 **SECTION 3.(l)** G.S. 135-58 reads as rewritten:

5 **"§ 135-58. Service retirement benefits.**

6 ...

7 (a6) Any member who became a member prior to January 1, 2017, and who retires under
8 the provisions of G.S. 135-57(a) or G.S. 135-57(c) on or after July 1, 2008, after the member has
9 either attained the member's 65th birthday or has completed 24 years or more of creditable service,
10 shall receive an annual retirement allowance, payable monthly, which shall commence on the
11 effective date of the member's retirement and shall be continued on the first day of each month
12 thereafter during the member's lifetime, the amount of which shall be computed as the sum of the
13 amounts in subdivisions (1), (2), (3), (4), and (5) of this subsection, provided that in no event shall
14 the annual allowance payable to any member be greater than an amount which, when added to the
15 allowance, if any, to which the member is entitled under the Teachers' and State Employees'
16 Retirement System, the Legislative Retirement System, or the Local Governmental Employees'
17 Retirement System (prior in any case to any reduction for early retirement or for an optional mode
18 of payment), would total three-fourths of the member's final compensation:

- 19 (1) Four and two hundredths percent (4.02%) of the member's final compensation,
20 multiplied by the number of years of creditable service rendered as a justice of
21 the Supreme Court, a judge of the Court of Appeals, or the Director of the
22 Administrative Office of the Courts;
- 23 (2) Three and fifty-two hundredths percent (3.52%) of the member's final
24 compensation, multiplied by the number of years of creditable service rendered
25 as a judge of the superior court;
- 26 (3) Three and two hundredths percent (3.02%) of the member's final compensation,
27 multiplied by the number of years of creditable service rendered as a judge of
28 the district court, district attorney, clerk of superior court, public defender, or
29 the Director of Indigent Defense Services;
- 30 (4) A service retirement allowance computed in accordance with the service
31 retirement provisions of Article 3 of Chapter 128 of the General Statutes using
32 an average final compensation as defined in G.S. 135-53(2a) and creditable
33 service equal to the number of years of the member's creditable service that was
34 transferred from the Local Governmental Employees' Retirement System to this
35 System as provided in G.S. 135-56; and
- 36 (5) A service retirement allowance computed in accordance with the service
37 retirement provisions of Article 1 of this Chapter using an average final
38 compensation as defined in G.S. 135-53(2a) and creditable service, including
39 any sick leave standing to the credit of the member, equal to the number of
40 years of the member's creditable service that was transferred from the Teachers'
41 and State Employees' Retirement System or the Legislative Retirement System
42 to this System as provided in G.S. 135-56.

43 (a7) Any member who became a member on or after January 1, 2017, who retires under the
44 provisions of G.S. 135-57(a) or G.S. 135-57(c) after the member has attained normal retirement
45 age shall receive an annual retirement allowance, payable monthly, which shall commence on the
46 effective date of the member's retirement and shall be continued on the first day of each month
47 thereafter during the member's lifetime, the amount of which shall be computed as the sum of the
48 amounts in subdivisions (1), (2), (3), (4), and (5) of this subsection, provided that in no event shall
49 the annual allowance payable to any member be greater than an amount which, when added to the
50 allowance, if any, to which the member is entitled under the Teachers' and State Employees'
51 Retirement System, the Legislative Retirement System, or the Local Governmental Employees'

1 Retirement System (prior in any case to any reduction for early retirement or for an optional mode
2 of payment), would total three-fourths of the member's final compensation:

- 3 (1) Four and two hundredths percent (4.02%) of the member's final compensation,
4 multiplied by the number of years of creditable service rendered as a justice of
5 the Supreme Court, a judge of the Court of Appeals, or the Director of the
6 Administrative Office of the Courts;
7 (2) Three and fifty-two hundredths percent (3.52%) of the member's final
8 compensation, multiplied by the number of years of creditable service rendered
9 as a judge of the superior court;
10 (3) Three and two hundredths percent (3.02%) of the member's final compensation,
11 multiplied by the number of years of creditable service rendered as a judge of
12 the district court, district attorney, clerk of superior court, public defender, or
13 the Director of Indigent Defense Services;
14 (4) A service retirement allowance computed in accordance with the service
15 retirement provisions of Article 3 of Chapter 128 of the General Statutes using
16 an average final compensation as defined in G.S. 135-53(2a) and creditable
17 service equal to the number of years of the member's creditable service that was
18 transferred from the Local Governmental Employees' Retirement System to this
19 System as provided in G.S. 135-56; and
20 (5) A service retirement allowance computed in accordance with the service
21 retirement provisions of Article 1 of this Chapter using an average final
22 compensation as defined in G.S. 135-53(2a) and creditable service, including
23 any sick leave standing to the credit of the member, equal to the number of
24 years of the member's creditable service that was transferred from the Teachers'
25 and State Employees' Retirement System or the Legislative Retirement System
26 to this System as provided in G.S. 135-56.

27 (b) Any member who became a member prior to January 1, 2017, who retires under the
28 provisions of subsection (a) or subsection (c) of G.S. 135-57 before ~~he~~the member either has
29 attained his or her sixty-fifth birthday or has completed 24 years of creditable service shall receive
30 an annual retirement allowance, payable monthly, which shall commence on the effective date of
31 ~~his~~the member's retirement and shall be continued on the first day of each month thereafter during
32 ~~his~~the member's lifetime, the amount of which shall be determined in the same manner and be
33 subject to the same maximum limitation as provided for in subsection (a) above except that the
34 allowance so computed shall be reduced by one quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each
35 month by which the member's retirement date precedes the first day of the month coincident with
36 or next following the earlier of

- 37 (1) The member's sixty-fifth birthday or
38 (2) The date the member would have completed 24 years of creditable service if
39 ~~he~~the member had been in membership service from his or her retirement date
40 until such date.

41 For the sole purpose of determining whether a member has completed the required 24 years of
42 creditable service referred to in this subsection (b) or the date on which ~~he~~the member would have
43 completed such period of creditable service if ~~he~~the member had remained in membership service,
44 in the case of a member of the Teachers' and State Employees' Retirement System who became a
45 member of this Retirement System under circumstances described in G.S. 135-28.1, and who at
46 the time of ~~his~~the member's retirement hereunder is in service and has retained his or her
47 membership in the Teachers' and State Employees' Retirement System as provided for in
48 G.S. 135-28.1, ~~his~~the member's creditable service shall be taken as the sum of ~~his~~the member's
49 creditable service hereunder plus the amount of creditable service remaining to ~~his~~the member's
50 credit in such other system as provided for in G.S. 135-28.1.

(b1) Any member who became a member on or after January 1, 2017, who retires under the provisions of subsection (a) or subsection (c) of G.S. 135-57 before the member has attained normal retirement age shall receive an annual retirement allowance, payable monthly, which shall commence on the effective date of the member's retirement and shall be continued on the first day of each month thereafter during the member's lifetime, the amount of which shall be determined in the same manner and be subject to the same maximum limitation as provided for in subsection (a) of this section except that the allowance so computed shall be reduced by one quarter of one percent (1/4 of 1%) thereof for each month by which the member's retirement date precedes the first day of the month coincident with or next following the month the member would have attained normal retirement age had the member continued working.

For the sole purpose of determining whether a member has completed the required 30 years of creditable service referred to in this subsection or the date on which the member would have completed such period of creditable service if the member had remained in membership service, in the case of a member of the Teachers' and State Employees' Retirement System who became a member of this Retirement System under circumstances described in G.S. 135-28.1, and who at the time of the member's retirement hereunder is in service and has retained his or her membership in the Teachers' and State Employees' Retirement System as provided for in G.S. 135-28.1, the member's creditable service shall be taken as the sum of the member's creditable service hereunder plus the amount of creditable service remaining to the member's credit in such other system as provided for in G.S. 135-28.1.

...."

SECTION 3.(m) G.S. 135-74(c1) reads as rewritten:

"(c1) A member who has contributions in this System and is not eligible for a retirement benefit as set forth in G.S. 135-58(a6) or G.S. 135-58(a7) shall be paid his or her contributions in a lump sum as provided in G.S. 135-62 by April 1 of the calendar year following the later of the calendar year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be a judge, district attorney, public defender, the Director of Indigent Defense Services, or clerk of superior court as provided in G.S. 135-53, except by death. If such member fails, following reasonable notification, to complete a refund application by such required date, the requirement that a refund application be completed shall be waived and the refund shall be paid without a refund application as a single lump-sum payment with applicable required North Carolina and federal income taxes withheld. For purposes of this subsection, a member shall not be considered to have ceased to be a judge, district attorney, public defender, the Director of Indigent Defense Services, or clerk of superior court as provided in G.S. 135-53 if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System. A lump-sum refund shall not be paid under this subsection if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System.

A member who has contributions in this System and is eligible for a retirement benefit as set forth in G.S. 120-4.21 shall begin to receive a monthly benefit no later than April 1 of the calendar year following the later of the calendar year in which the member (i) attains 70 and one-half years of age or (ii) has ceased to be a judge, district attorney, public defender, the Director of Indigent Defense Services, or clerk of superior court as provided in G.S. 135-53, except by death. If such member fails, following reasonable notification, to complete the retirement process as set forth under Chapter 120 of the General Statutes by such required beginning date, the requirement that a retirement application and an election of payment plan form be completed shall be waived and the retirement allowance shall be paid as a single life annuity. The single life annuity shall be calculated and processed in accordance with G.S. 120-4.21. For purposes of this subsection, a member shall not be considered to have ceased to be a judge, district attorney, public defender, the Director of Indigent Defense Services, or clerk of superior court as provided in G.S. 135-53 if the

member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System. A retirement benefit shall not be paid under this subsection if the member is actively contributing to the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, or Consolidated Judicial Retirement System."

SECTION 3.(n) This section becomes effective January 1, 2017.

SECTION 4.(a) G.S. 135-1(7b) is recodified as G.S. 135-1(7c).

SECTION 4.(b) G.S. 135-1, as amended by Section 3(a) of this act, is amended by adding a new subdivision to read:

"(7b) "Compliance investigation" shall mean an independent review or examination by Retirement Systems Division staff or authorized representatives who are assisting the Retirement Systems Division staff of records, activities, actions, or decisions by employers or other affiliated or associated entities having an impact on the Retirement System. The purpose of a compliance investigation is to help detect errors and ensure compliance and full accountability in the use of pension funds."

SECTION 4.(c) G.S. 135-1(11b) reads as written:

"(11b) "Fraud investigation" means an independent review or examination by Retirement Systems Division staff or authorized representatives who are assisting the Retirement Systems Division staff of records, activities, actions, or decisions by employers or other affiliated or associated entities having an impact on the Retirement System. The purpose of a fraud investigation is to help detect and prevent fraud and to ensure full accountability in the use of pension funds."

SECTION 4.(d) G.S. 135-6 reads as rewritten:

"§ 135-6. Administration.

...

(q) Compliance Investigations and Fraud Investigations – Access to Persons and Records. In the course of conducting a compliance investigation or a fraud investigation, the Retirement Systems Division, or authorized representatives who are assisting the Retirement Systems Division staff, shall:

- (1) Have ready access to persons and may examine and copy all books, records, reports, vouchers, correspondence, files, personnel files, investments, and any other documentation of any employer. The review of State tax returns shall be limited to matters of official business, and the Division's report shall not violate the confidentiality provisions of tax laws.
- (2) Have such access to persons, records, papers, reports, vouchers, correspondence, books, and any other documentation that is in the possession of any individual, private corporation, institution, association, board, or other organization that pertain to the following:
 - a. Amounts received pursuant to a grant or contract from the federal government, the State, or its political subdivisions.
 - b. Amounts received, disbursed, or otherwise handled on behalf of the federal government or the State.
- (3) Have the authority, and shall be provided with ready access, to examine and inspect all property, equipment, and facilities in the possession of any employer agency or any individual, private corporation, institution, association, board, or other organization that were furnished or otherwise provided through grant, contract, or any other type of funding by the employer agency.

With respect to the requirements of sub-subdivision (2)b. of this subsection, providers of social and medical services to a beneficiary shall make copies of records they maintain for services

provided to a beneficiary available to the Retirement Systems Division, or to the authorized representatives who are assisting the Retirement Systems Division staff. Copies of the records of social and medical services provided to a beneficiary will permit verification of the health or other status of a beneficiary as required for the payment of benefits under Article 1, Article 4, or Article 6 of this Chapter. The Retirement Systems Division, or authorized representatives who are assisting the Retirement Systems Division staff, shall request records in writing by providing the name of each beneficiary for whom records are sought, the purpose of the request, the statutory authority for the request, and a reasonable period of time for the production of record copies by the provider. A provider may charge, and the Retirement Systems Division, or authorized representatives who are assisting the Retirement Systems Division staff, shall, in accordance with G.S. 90-411, pay a reasonable fee to the provider for copies of the records provided in accordance with this subsection.

(r) Compliance or Fraud Investigative Reports and Work Papers. – The Director of the Retirement Systems Division shall maintain for 10 years a complete file of all compliance investigative reports, fraud investigative reports and reports of other examinations, investigations, surveys, and reviews issued under the Director's authority. Fraud or compliance investigation work papers and other evidence or related supportive material directly pertaining to the work of the Retirement Systems Division of the Department of State Treasurer shall be retained according to an agreement between the Director of Retirement and State Archives. To promote intergovernmental cooperation and avoid unnecessary duplication of fraud and compliance investigative effort, and notwithstanding local unit personnel policies to the contrary, pertinent work papers and other supportive material relating to issued fraud or compliance investigation reports may be, at the discretion of the Director of Retirement and unless otherwise prohibited by law, made available for inspection by duly authorized representatives of the State and federal government who desire access to and inspection of such records in connection with some matter officially before them, including criminal investigations. Except as provided in this section, or upon an order issued in Wake County Superior Court upon 10 days' notice and hearing finding that access is necessary to a proper administration of justice, fraud and compliance investigation work papers and related supportive material shall be kept confidential, including any information developed as a part of the investigation.

...."

SECTION 4.(e) G.S. 128-21(7b) is recodified as G.S. 128-21(7c).

SECTION 4.(f) G.S. 128-21, as amended by Section 3(f) of this act, is amended by adding a new subdivision to read:

"(7b) "Compliance investigation" shall mean an independent review or examination by Retirement Systems Division staff or authorized representatives who are assisting the Retirement Systems Division staff of records, activities, actions, or decisions by employers or other affiliated or associated entities having an impact on the Retirement System. The purpose of a compliance investigation is to help detect errors and ensure compliance and full accountability in the use of pension funds."

SECTION 4.(g) G.S. 128-21(11c) reads as rewritten:

"(11c) "Fraud investigation" means an independent review or examination by Retirement Systems Division staff or authorized representatives who are assisting the Retirement Systems Division staff of records, activities, actions, or decisions by employers or other affiliated or associated entities having an impact on the Retirement System. The purpose of a fraud investigation is to help detect and prevent fraud and to ensure full accountability in the use of pension funds."

SECTION 4.(h) G.S. 128-28 reads as rewritten:

"§ 128-28. Administration and responsibility for operation of System.

1 ...
2 (r) Fraud Investigations and Compliance Investigations – Access to Persons and Records.
3 – In the course of conducting a fraud investigation or compliance investigation, the Retirement
4 Systems Division, or authorized representatives who are assisting the Retirement Systems
5 Division staff, shall:

- 6 (1) Have ready access to persons and may examine and copy all books, records,
7 reports, vouchers, correspondence, files, personnel files, investments, and any
8 other documentation of any employer. The review of State tax returns shall be
9 limited to matters of official business, and the Division's report shall not violate
10 the confidentiality provisions of tax laws.
- 11 (2) Have such access to persons, records, papers, reports, vouchers,
12 correspondence, books, and any other documentation that is in the possession of
13 any individual, private corporation, institution, association, board, or other
14 organization which pertain to the following:
 - 15 a. Amounts received pursuant to a grant or contract from the federal
16 government, the State, or its political subdivisions.
 - 17 b. Amounts received, disbursed, or otherwise handled on behalf of the
18 federal government or the State.
- 19 (3) Have the authority, and shall be provided with ready access, to examine and
20 inspect all property, equipment, and facilities in the possession of any employer
21 agency or any individual, private corporation, institution, association, board, or
22 other organization that were furnished or otherwise provided through grant,
23 contract, or any other type of funding by the employer agency.

24 With respect to the requirements of sub-subdivision (2)b. of this subsection, providers of social
25 and medical services to a beneficiary shall make copies of records they maintain for services
26 provided to a beneficiary available to the Retirement Systems Division, or to the authorized
27 representatives who are assisting the Retirement Systems Division staff. Copies of the records of
28 social and medical services provided to a beneficiary will permit verification of the health or other
29 status of a beneficiary as required for the payment of benefits under Article 3 of this Chapter. The
30 Retirement Systems Division, or authorized representatives who are assisting the Retirement
31 Systems Division staff, shall request records in writing by providing the name of each beneficiary
32 for whom records are sought, the purpose of the request, the statutory authority for the request,
33 and a reasonable period of time for the production of record copies by the provider. A provider
34 may charge, and the Retirement Systems Division, or authorized representatives who are assisting
35 the Retirement Systems Division staff, shall, in accordance with G.S. 90-411, pay a reasonable fee
36 to the provider for copies of the records provided in accordance with this subsection.

37 (s) Fraud Investigative Reports and Work Papers or Compliance Investigative Reports and
38 Work Papers. – The Director of the Retirement Systems Division shall maintain for 10 years a
39 complete file of all fraud ~~investigative reports~~reports, ~~compliance investigative reports~~, and reports
40 of other examinations, investigations, surveys, and reviews issued under the Director's authority.
41 Fraud investigation work papers~~papers~~, compliance investigation work papers, and other evidence
42 or related supportive material directly pertaining to the work of the Retirement Systems Division
43 of the Department of State Treasurer shall be retained according to an agreement between the
44 Director of Retirement and State Archives. To promote intergovernmental cooperation and avoid
45 unnecessary duplication of fraud or compliance investigative effort, and notwithstanding local unit
46 personnel policies to the contrary, pertinent work papers and other supportive material relating to
47 issued fraud investigation reports or compliance investigative reports may be, at the discretion of
48 the Director of Retirement and unless otherwise prohibited by law, made available for inspection
49 by duly authorized representatives of the State and federal government who desire access to and
50 inspection of such records in connection with some matter officially before them, including
51 criminal investigations. Except as provided in this section, or upon an order issued in Wake

County Superior Court upon 10 days' notice and hearing finding that access is necessary to a proper administration of justice, fraud or compliance investigation work papers and related supportive material shall be kept confidential, including any information developed as a part of the investigation.

...."

SECTION 5.(a) G.S. 135-4(jj) reads as rewritten:

"(jj) Contribution-Based Benefit Cap Purchase Provision. – If a member's retirement allowance is subject to an adjustment pursuant to the contribution-based benefit cap established in G.S. 128-27(a3), the retirement system shall notify the member and the member's employer that the member's retirement allowance has been capped. The retirement system shall compute and notify the member and the member's employer of the total additional amount the member would need to contribute in order to make the member not subject to the contribution-based benefit cap. This total additional amount shall be the actuarial equivalent of a single life annuity adjusted for the age of the member at the time of retirement, or when appropriate, the age at the time of the member's death that would have had to have been purchased to increase the member's benefit to the pre-cap level. Except as otherwise provided in this subsection, the member shall have until 90 days after notification regarding this additional amount or until 90 days after the effective date of retirement, whichever is later, to submit a lump sum payment to the annuity savings fund in order for the retirement system to restore the retirement allowance to the uncapped amount. Nothing contained in this subsection shall prevent an employer from paying all or part of the cost of the amount necessary to restore the member's retirement allowance to the pre-cap amount. Notwithstanding the requirement that the payment be made as a lump sum, the retirement system may allow an employer of a member who became a member before January 1, 2015, or who has not earned at least five years of membership service in the retirement system after January 1, 2015, to pay the lump-sum amount required in this subsection on an installment payment plan under one of the following two options:

- (1) Option one. – An installment payment plan beginning no less than 90 days after the retirement of the member and ending no less more than one year 15 months after the retirement of the member.
- (2) Option two. – An installment payment plan beginning no less than 90 days after the retirement of the member and ending no more than 27 months after the retirement of the member. Interest shall be assessed on the principal amount of the contribution-based benefit cap liability owed and applied to any installment payment plan term exceeding 12 months at a rate corresponding with the interest rate assumption based on the most recent actuarial valuation approved by the Board of Trustees.

Payment under ~~such an both~~ installment plan plans must be completed regardless of whether the member continues to receive a recurring monthly retirement benefit through the end of the installment period."

SECTION 5.(b) G.S. 128-26(y) reads as rewritten:

"(y) Contribution-Based Benefit Cap Purchase Provision. – If a member's retirement allowance is subject to an adjustment pursuant to the contribution-based benefit cap established in G.S. 128-27(a3), the retirement system shall notify the member and the member's employer that the member's retirement allowance has been capped. The retirement system shall compute and notify the member and the member's employer of the total additional amount the member would need to contribute in order to make the member not subject to the contribution-based benefit cap. This total additional amount shall be the actuarial equivalent of a single life annuity adjusted for the age of the member at the time of retirement, or when appropriate, the age at the time of the member's death that would have had to have been purchased to increase the member's benefit to the pre-cap level. Except as otherwise provided in this subsection, the member shall have until 90 days after notification regarding this additional amount or until 90 days after the effective date of

retirement, whichever is later, to submit a lump sum payment to the annuity savings fund in order for the retirement system to restore the retirement allowance to the uncapped amount. Nothing contained in this subsection shall prevent an employer from paying all or part of the cost of the amount necessary to restore the member's retirement allowance to the pre-cap amount. Notwithstanding the requirement that the payment be made as a lump sum, the retirement system may allow an employer of a member who became a member before January 1, 2015, or who has not earned at least five years of membership service in the retirement system after January 1, 2015, to pay the lump-sum amount required in this subsection on an installment payment plan under one of the following two options:

- (1) Option one. – An installment payment plan beginning no less than 90 days after the retirement of the member and ending no less more than one year 15 months after the retirement of the member.
- (2) Option two. – An installment payment plan beginning no less than 90 days after the retirement of the member and ending no more than 27 months after the retirement of the member. Interest shall be assessed on the principal amount of the contribution-based benefit cap liability owed and applied to any installment payment plan term exceeding 12 months at a rate corresponding with the interest rate assumption based on the most recent actuarial valuation approved by the Board of Trustees.

Payment under ~~such an both~~ installment ~~plan~~ plans must be completed regardless of whether the member continues to receive a recurring monthly retirement benefit through the end of the installment period."

SECTION 6.(a) G.S. 135-5(a3) reads as rewritten:

"(a3) Anti-Pension-Spiking Contribution-Based Benefit Cap. – Notwithstanding Chapter 150B of the General Statutes and any other provision of this section, every service retirement allowance provided under this section for members who retire on or after January 1, 2015, is subject to adjustment pursuant to a contribution-based benefit cap under this subsection. The Board of Trustees shall adopt a contribution-based benefit cap factor recommended by the actuary, based upon actual experience, such that no more than three-quarters of one percent (0.75%) of retirement allowances are expected to be capped. The Board of Trustees shall modify such factors every five years, as shall be deemed necessary, based upon the five-year experience study as required by G.S. 135-6(n). Prior to establishing a service retirement allowance under this section, the Board shall:

- (1) Determine an amount equal to the member's accumulated contributions as required under G.S. 135-8(b)(1) for all years during which the member earned membership service used in the calculation of the retirement allowance that the member would receive under this section.
- (2) Determine the amount of a single life annuity that is the actuarial equivalent of the amount determined under subdivision (1) of this subsection, adjusted for the age of the member at the time of retirement or, when appropriate, the age at the time of the member's death.
- (3) Multiply the annuity amount determined under subdivision (2) of this subsection by the contribution-based benefit cap factor.
- (4) Determine the amount of the retirement allowance that results from the member's membership service.

The product of the multiplication in subdivision (3) of this subsection is the member's contribution-based benefit cap. If the amount determined under subdivision (4) of this subsection exceeds the member's contribution-based benefit cap, the member's retirement allowance shall be reduced by an amount equal to the difference between the contribution-based benefit cap and the amount determined under subdivision (4) of this subsection.

Notwithstanding the foregoing, the retirement allowance of a member with an average final compensation of less than one hundred thousand dollars (\$100,000), as hereinafter indexed, shall not be subject to the contribution-based benefit cap. The minimum average final compensation necessary for a retirement allowance to be subject to the contribution-based benefit cap shall be increased on January 1 each year by the percent change between the ~~December~~June Consumer Price Index in the year prior to retirement and the ~~December~~June Consumer Price Index in the fiscal year most recently ended, calculated to the nearest tenth of a percent (0.1%), provided that this percent change is positive.

Notwithstanding the foregoing, the retirement allowance of a member who became a member before January 1, 2015, or who has not earned at least five years of membership service in the Retirement System after January 1, 2015, shall not be reduced; however, the member's last employer shall be required to make an additional contribution as specified in G.S. 135-8(f)(2)f., if applicable."

SECTION 6.(b) G.S. 128-27(a3) reads as rewritten:

"(a3) Anti-Pension-Spiking Contribution-Based Benefit Cap. – Notwithstanding Chapter 150B of the General Statutes and any other provision of this section, every service retirement allowance provided under this section for members who retire on or after January 1, 2015, is subject to adjustment pursuant to a contribution-based benefit cap under this subsection. The Board of Trustees shall adopt a contribution-based benefit cap factor recommended by the actuary, based upon actual experience, such that no more than three-quarters of one percent (0.75%) of retirement allowances are expected to be capped. The Board of Trustees shall modify such factors every five years, as shall be deemed necessary, based upon the five-year experience study as required by G.S. 128-28(o).

Prior to establishing a service retirement allowance under this section, the Board shall:

- (1) Determine an amount equal to the member's accumulated contributions as required under G.S. 128-30(b)(1) for all years during which the member earned membership service used in the calculation of the retirement allowance that the member would receive under this section.
- (2) Determine the amount of a single life annuity that is the actuarial equivalent of the amount determined under subdivision (1) of this subsection, adjusted for the age of the member at the time of retirement or, when appropriate, the age at the time of the member's death.
- (3) Multiply the annuity amount determined under subdivision (2) of this subsection by the contribution-based benefit cap factor.
- (4) Determine the amount of the retirement allowance that results from the member's membership service.

The product of the multiplication in subdivision (3) of this subsection is the member's contribution-based benefit cap. If the amount determined under subdivision (4) of this subsection exceeds the member's contribution-based benefit cap, the member's retirement allowance shall be reduced by an amount equal to the difference between the contribution-based benefit cap and the amount determined under subdivision (4) of this subsection.

Notwithstanding the foregoing, the retirement allowance of a member with an average final compensation of less than one hundred thousand dollars (\$100,000), as hereinafter indexed, shall not be subject to the contribution-based benefit cap. The minimum average final compensation necessary for a retirement allowance to be subject to the contribution-based benefit cap shall be increased on January 1 each year by the percent change between the ~~December~~June Consumer Price Index in the year prior to retirement and the ~~December~~June Consumer Price Index in the fiscal year most recently ended, calculated to the nearest tenth of a percent (0.1%), provided that this percent change is positive.

Notwithstanding the foregoing, the retirement allowance of a member who became a member before January 1, 2015, or who has not earned at least five years of membership service in the

1 Retirement System after January 1, 2015, shall not be reduced; however, the member's last
2 employer shall be required to make an additional contribution as specified in G.S. 128-30(g)(2)b.,
3 if applicable."

4 **SECTION 6.(c)** This section is effective when it becomes law and applies
5 retroactively to January 1, 2015.

6 **SECTION 7.(a)** G.S. 135-5(f) reads as rewritten:

7 "(f) Return of Accumulated Contributions. – Should a member cease to be a teacher or
8 State employee except by death or retirement under the provisions of this Chapter, ~~he~~the member
9 shall upon submission of an application be paid, not earlier than 60 days from the date of
10 termination of service, ~~his~~the member's contributions, and the accumulated regular interest
11 thereon, provided that ~~he~~the member has not in the meantime returned to service. Upon payment
12 of such sum his or her membership in the System shall cease and, if he or she thereafter again
13 becomes a member, no credit shall be allowed for any service previously rendered except as
14 provided in G.S. 135-4, and such payment shall be in full and complete discharge of any rights in
15 or to any benefits otherwise payable hereunder. Upon receipt of proof satisfactory to the Board of
16 Trustees of the death, prior to retirement, of a member or former member there shall be paid to
17 such person or persons as ~~he~~the member or former member shall have nominated by electronic
18 submission ~~prior to completing 10 years of service~~ in a form approved by the Board of Trustees or
19 by written designation duly acknowledged and filed with the Board of Trustees, if such person or
20 persons are living at the time of the member's death, otherwise to the member's legal
21 representatives, the amount of ~~his~~the member's accumulated contributions at the time of ~~his~~the
22 member's death, unless the beneficiary elects to receive the alternate benefit under the provisions
23 of (m) below. An extension service employee who made contributions to the Local Governmental
24 Employees' Retirement System and the Teachers' and State Employees' Retirement System as a
25 result of dual employment may not be paid his or her accumulated contributions unless ~~he~~the
26 extension service employee is eligible to be paid his or her accumulated contributions in both
27 systems for the same period of service.

28 Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the
29 Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated
30 contributions to the Consolidated Judicial Retirement System or to the Supplemental Retirement
31 Income Plan and forfeit any rights in or to any benefits otherwise payable hereunder.

32 A member who is a participant or beneficiary of the Disability Income Plan of North Carolina
33 as is provided in Article 6 of this Chapter shall not be paid a return of accumulated contributions,
34 notwithstanding the member's status as an employee or teacher. Notwithstanding any other
35 provision of law to the contrary, a member who is a beneficiary of the Disability Income Plan of
36 North Carolina as provided in Article 6 of this Chapter and who is receiving disability benefits
37 under the transition provisions as provided in G.S. 135-112, shall not be prohibited from receiving
38 a return of accumulated contributions as provided in this subsection."

39 **SECTION 7.(b)** G.S. 135-5(l) reads as rewritten:

40 "(l) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan (hereinafter
41 called the "Plan") which is established as an employee welfare benefit plan that is separate and
42 apart from the Retirement System and under which the members of the Retirement System shall
43 participate and be eligible for group life insurance benefits. Upon receipt of proof, satisfactory to
44 the Board of Trustees in their capacity as trustees under the Group Life Insurance Plan, of the
45 death, in service, of a member who had completed at least one full calendar year of membership in
46 the Retirement System, there shall be paid to such person as ~~he~~the member shall have nominated
47 by electronic submission ~~prior to completing 10 years of service~~ in a form approved by the Board
48 of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if
49 such person is living at the time of the member's death, otherwise to the member's legal
50 representatives, a death benefit. Such death benefit shall be equal to the greater of:

- (1) The compensation on which contributions were made by the member during the calendar year preceding the year in which ~~his~~the member's death occurs, or
- (2) The greatest compensation on which contributions were made by the member during a 12-month period of service within the 24-month period of service ending on the last day of the month preceding the month in which ~~his~~the member's last day of actual service occurs;

(3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2. subject to a minimum of twenty-five thousand dollars (\$25,000) and to a maximum of fifty thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the payment of the member's accumulated contributions under the System on ~~his~~the member's death pursuant to the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be deemed to be in service at the date of ~~his~~the member's death if ~~his~~the member's death occurs within 180 days from the last day of ~~his~~the member's actual service."

SECTION 7.(c) G.S. 135-63 reads as rewritten:

"§ 135-63. Benefits on death before retirement.

(a) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a member in service, there shall be paid in a lump sum to such person as the member shall have nominated by electronic submission ~~prior to completing 10 years of service~~ in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit equal to the sum of (i) the member's accumulated contributions, plus (ii) the member's final compensation; provided, however, that if the member has attained his or her fiftieth birthday with at least five years of membership service at ~~his~~the member's date of death, and if the designated recipient of the death benefits is the member's spouse who survives ~~him, him or her,~~ and if the spouse so elects, then the lump-sum death benefit provided for herein shall consist only of a payment equal to the member's final compensation and there shall be paid to the surviving spouse an annual retirement allowance, payable monthly, which shall commence on the first day of the calendar month coinciding with or next following the death of the member and shall be continued on the first day of each month thereafter until the remarriage or death of the spouse. The amount of any such retirement allowance shall be equal to one half of the amount of the retirement allowance to which the member would have been entitled had ~~he~~the member retired under the provisions of G.S. 135-57(a) on the first day of the calendar month coinciding with or next following ~~his~~the member's date of death, reduced by two percent (2%) thereof for each full year, if any, by which the age of the member at his or her date of death exceeds that of ~~his~~the member's spouse. If the retirement allowance to the spouse shall terminate on the remarriage or death of the spouse before the total of the retirement allowance payments made equals the amount of the member's accumulated contributions at date of death, the excess of such accumulated contributions over the total of the retirement allowances paid to the spouse shall be paid in a lump sum to such person as the member shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time such payment falls due, otherwise to the former member's legal representatives.

...

(c) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a member not in service, there shall be paid in a lump sum to such person as the member shall have nominated by electronic submission ~~prior to completing 10 years of service~~ in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit equal to the member's accumulated contributions.

...."

SECTION 7.(d) G.S. 128-27(f) reads as rewritten:

1 "(f) Return of Accumulated Contributions. – Should a member cease to be an employee
2 except by death or retirement under the provisions of this Chapter, ~~he~~the member shall upon
3 submission of an application be paid, not earlier than 60 days from the date of termination of
4 service, ~~his~~the member's contributions and the accumulated regular interest thereon, provided that
5 ~~he~~the member has not in the meantime returned to service. Upon payment of such sum his or her
6 membership in the System shall cease and, if he or she thereafter again becomes a member, no
7 credit shall be allowed for any service previously rendered except as provided in G.S. 128-26; and
8 such payment shall be in full and complete discharge of any rights in or to any benefits otherwise
9 payable hereunder. Upon receipt of proof satisfactory to the Board of Trustees of the death, prior
10 to retirement, of a member or former member there shall be paid to such person or persons as
11 ~~he~~the member or former member shall have nominated by electronic submission ~~prior to~~
12 ~~completing 10 years of service~~ in a form approved by the Board of Trustees or by written
13 designation duly acknowledged and filed with the Board of Trustees, if such person or persons are
14 living at the time of the member's death, otherwise to the member's legal representatives, the
15 amount of ~~his~~the member's accumulated contributions at the time of ~~his~~the member's death, unless
16 the beneficiary elects to receive the alternate benefit under the provisions of (m) below. An
17 extension service employee who made contributions to the Local Governmental Employees'
18 Retirement System and the Teachers' and State Employees' Retirement System as a result of dual
19 employment may not be paid his or her accumulated contributions unless ~~he~~the extension service
20 employee is eligible to be paid his or her accumulated contributions in both systems for the same
21 period of service.

22 Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the
23 Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated
24 contributions to the Consolidated Judicial Retirement System or to the Supplemental Retirement
25 Income Plan and forfeit any rights in or to any benefits otherwise payable hereunder."

26 **SECTION 7.(e)** G.S. 128-27(l) reads as rewritten:

27 "(l) Death Benefit Plan. – The provisions of this subsection shall become effective for any
28 employer only after an agreement to that effect has been executed by the employer and the
29 Director of the Retirement System. There is hereby created a Group Life Insurance Plan
30 (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is
31 separate and apart from the Retirement System and under which the members of the Retirement
32 System shall participate and be eligible for group life insurance benefits. Upon receipt of proof,
33 satisfactory to the Board of Trustees in their capacity as trustees under the Group Life Insurance
34 Plan, of the death, in service, of a member who had completed at least one full calendar year of
35 membership in the Retirement System, there shall be paid to such person as ~~he~~the member shall
36 have nominated by electronic submission ~~prior to completing 10 years of service~~ in a form
37 approved by the Board of Trustees or by written designation duly acknowledged and filed with the
38 Board of Trustees, if such person is living at the time of the member's death, otherwise to the
39 member's legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

- 40 (1) The compensation on which contributions were made by the member during the
41 calendar year preceding the year in which ~~his~~the member's death occurs, or
- 42 (2) The greatest compensation on which contributions were made by the member
43 during a 12-month period of service within the 24-month period of service
44 ending on the last day of the month preceding the month in which ~~his~~the
45 member's last day of actual service occurs;
- 46 (3) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2;
47 subject to a minimum of twenty-five thousand dollars (\$25,000) and a maximum of fifty thousand
48 dollars (\$50,000). Such death benefit shall be payable apart and separate from the payment of the
49 member's accumulated contributions under the System on ~~his~~the member's death pursuant to the
50 provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be deemed

1 to be in service at the date of ~~his~~ the member's death if ~~his~~ the member's death occurs within 180
2 days from the last day of ~~his~~ the member's actual service.

3"

4 SECTION 7.(f) G.S. 120-4.25 reads as rewritten:

5 "§ 120-4.25. Return of accumulated contributions.

6 If a member ceases to be a member of the General Assembly except by death or retirement,
7 ~~hethe member~~ shall, upon submission of an application, be paid not earlier than 60 days following
8 the date of termination of service the sum of ~~his~~ the member's accumulated contributions provided
9 ~~hethe member~~ has not in the meantime returned to service. Upon payment of this sum ~~his or her~~
10 membership in the System ceases. If ~~hethe individual~~ becomes a member afterwards, no credit
11 shall be allowed for any service previously rendered except as provided in G.S. 120-4.14 and the
12 payment shall be in full and complete discharge of any rights in or to any benefits otherwise
13 payable under this Article. Upon receipt of proof satisfactory to the Board of Trustees of the death,
14 prior to retirement, of a member or former member, there shall be paid to the person or persons
15 ~~hethe member or former member~~ nominated by electronic submission ~~prior to completing 10 years~~
16 ~~of service~~ in a form approved by the Board of Trustees or by written designation duly
17 acknowledged and filed with the Board of Trustees, if the person or persons are living at the time
18 of the member's death, otherwise to the member's legal representatives, the amount of ~~his~~ the
19 member's accumulated contributions at the time of ~~his~~ the member's death, unless the beneficiary
20 elects to receive the alternate benefit under the provisions of G.S. 120-4.28."

21 SECTION 7.(g) This section becomes effective January 1, 2017.

22 SECTION 8.(a) G.S. 135-6(b) reads as rewritten:

23 "(b) Membership of Board; Terms. – The Board shall consist of the following 13 ~~members,~~
24 ~~as follows;members:~~

25 (1) The State Treasurer, ex ~~officio;~~ officio.

26 (2) The Superintendent of Public Instruction, ex ~~officio;~~ officio.

27 (3) The Director of the Office of State Human Resources, ex officio.

28 (3)(4) ~~Nine~~ Eight members to be appointed by the Governor and confirmed by the
29 Senate of North Carolina. One of the appointive members shall be a member of
30 the teaching profession of the State; ~~one of the appointive members shall be a~~
31 ~~representative of higher education appointed by the Governor for a term of four~~
32 ~~years commencing July 1, 1969, and quadrennially thereafter;~~ one of the
33 appointive members shall be a retired teacher who is drawing a retirement
34 allowance, appointed by the Governor for a term of four years commencing
35 July 1, 1969, and quadrennially thereafter; one shall be a retired State employee
36 who is drawing a retirement allowance, appointed by the Governor for a term of
37 four years commencing July 1, 1977, and quadrennially thereafter; one to be a
38 general State employee, and two who are not members of the teaching
39 profession or State employees; two to be appointed for a term of two years, two
40 for a term of three years and one for a term of four years; one appointive
41 member shall be a law-enforcement officer employed by the State, appointed by
42 the Governor, for a term of four years commencing April 1, 1985. One member
43 shall be an active or retired member of the North Carolina National Guard
44 appointed by the Governor for a term of four years commencing July 1, 2013.
45 At the expiration of these terms of office the appointment shall be for a term of
46 ~~four years;~~ years.

47 (4)(5) Two members appointed by the General Assembly, one appointed upon the
48 recommendation of the Speaker of the House of Representatives, and one
49 appointed upon the recommendation of the President Pro Tempore of the
50 Senate in accordance with G.S. 120-121. Neither of these members may be an
51 active or retired teacher or State employee or an employee of a unit of local

government. The initial members appointed by the General Assembly shall serve for terms expiring June 30, 1983. Thereafter, their successors shall serve for two-year terms beginning July 1 of odd-numbered years. Vacancies in appointments made by the General Assembly shall be filled in accordance with G.S. 120-122."

SECTION 8.(b) G.S. 135-6(g) reads as rewritten:

"(g) Officers and Other Employees; Salaries and Expenses. – The State Treasurer shall be ex officio ~~chairman~~ chair of the Board of Trustees. ~~The Board of Trustees shall, by a majority vote of all the members, appoint a director, who may be, but need not be, one of its members. The salary of the director of the Retirement System is subject to the provisions of Chapter 126 of the General Statutes of North Carolina. Trustees and shall appoint a director.~~ The Board of Trustees shall engage such actuarial and other service as shall be required to transact the business of the Retirement System. The compensation of all persons, other than the director, engaged by the Board of Trustees, and all other expenses of the Board necessary for the operation of the Retirement System, shall be paid at such rates and in such amounts as the Board of Trustees shall approve, subject to the approval of the Director of the Budget."

SECTION 8.(c) G.S. 128-28(h) reads as rewritten:

"(h) Officers and Other Employees, Salaries and Expenses. – ~~The Board of Trustees shall elect from its membership a chairman, and shall, by a majority vote of all the members, appoint a director, who may be, but need not be, one of its members.~~ The State Treasurer shall be ex officio chair of the Board of Trustees and shall appoint a director. The Board of Trustees shall engage such actuarial and other service as shall be required to transact the business of the Retirement System. The compensation of all persons engaged by the Board of Trustees, and all other expenses of the Board necessary for the operation of the Retirement System, shall be paid at such rates and in such amounts as the Board of Trustees shall approve."

SECTION 9.(a) G.S. 135-6 is amended by adding a new subsection to read:

"(u) In order to promote achievement of long-term administrative objectives and to retain key public employees with benefits administration expertise, the State Treasurer is authorized to establish market-oriented compensation plans for employees in positions designated as key management roles who possess specialized skills or knowledge necessary for the effective administration of retirement benefits and who shall be exempt from the classification and compensation rules established by the Office of State Human Resources. The design and administration of those compensation plans shall be based on compensation studies conducted by a nationally recognized firm specializing in employee benefits. The costs of the compensation and other associated employee benefits shall be apportioned from administrative receipts of the Retirement System. The Treasurer shall report the salaries paid under this provision to the Joint Legislative Oversight Committee on General Government annually, on or before December 1 of each year."

SECTION 9.(b) G.S. 128-28 is amended by adding a new subsection to read:

"(v) In order to promote achievement of long-term administrative objectives and to retain key public employees with benefits administration expertise, the State Treasurer is authorized to establish market-oriented compensation plans for employees in positions designated as key management roles who possess specialized skills or knowledge necessary for the effective administration of retirement benefits and who shall be exempt from the classification and compensation rules established by the Office of State Human Resources. The design and administration of those compensation plans shall be based on compensation studies conducted by a nationally recognized firm specializing in employee benefits. The costs of the compensation and other associated employee benefits shall be apportioned from administrative receipts of the Retirement System. The Treasurer shall report the salaries paid under this provision to the Joint Legislative Oversight Committee on General Government annually, on or before December 1 of each year."

1 **SECTION 9.(c)** G.S. 126-5 is amended by adding a new subsection to read:

2 "(c14) Except as to G.S. 126-13, 126-14, 126-14.1, and the provisions of Articles 6, 7, 14, 15,
3 and 16 of this Chapter, the provisions of this Chapter shall not apply to employees of the
4 Department of State Treasurer possessing specialized skills or knowledge necessary for the proper
5 administration of retirement benefits and compensated pursuant to G.S. 135-6(u) and
6 G.S. 128-28(v)."

7 **SECTION 9.(d)** This section becomes effective January 1, 2017.

8 **SECTION 10.(a)** G.S. 135-7 is amended by adding a new subsection to read:

9 "(g) Legislative Enactment Implementation Arrangement. – The Legislative Enactment
10 Implementation Arrangement (LEIA) is established effective October 1, 2016, and placed under
11 the management of the Board of Trustees. The purpose of the LEIA is to provide for timely
12 administrative implementation of legislative provisions regarding the retirement of, or payment of
13 retirement benefits to, public officers or public employees. The LEIA shall have the following
14 parameters:

15 (1) Administration. – The LEIA shall be administered by the Board of Trustees,
16 which shall compile and maintain all records necessary or appropriate for
17 administration. The Board of Trustees shall have full discretionary authority to
18 interpret, construe, and implement the LEIA and to adopt such rules and
19 regulations as may be necessary or desirable to implement the provisions of the
20 LEIA.

21 (2) Funding of the LEIA. – In the event that the General Assembly creates or
22 modifies any provision for the retirement of, or payment of retirement benefits
23 to, public officers or public employees that has a cost savings as measured by
24 actuarial note required by Article 15 of Chapter 120 of the General Statutes, the
25 Board of Trustees may direct up to one hundredth percent (0.01%) of the
26 required contributions to fund the LEIA. These funds must be deposited in a
27 separate fund from the fund into which regular employer contributions are
28 deposited for the Retirement System. The Board of Trustees shall not direct any
29 employer contributions into the LEIA after November 1, 2021.

30 (3) Allocation of LEIA funds. – The Board of Trustees may allocate LEIA funds to
31 the implementation of legislative provisions regarding the retirement of, or
32 payment for retirement benefits to, public officers or public employees, subject
33 to the following restrictions:

34 a. The Board of Trustees must identify individual implementation projects
35 that will be paid for with LEIA funds. These implementation projects
36 must be necessitated by a specific statute or session law that was
37 enacted within five years of the allocation of the funds. The Board of
38 Trustees must also identify the number of years for which each
39 individual implementation project will be paid for with LEIA funds.

40 b. For implementation projects that will be paid for with LEIA funds for a
41 period of one year or less, the Board of Trustees must determine that the
42 cost savings from implementing the project is projected to be no less
43 than half of the amount of LEIA funds utilized to pay for
44 implementation.

45 c. For implementation projects that will be paid for with LEIA funds for a
46 period of greater than one year, but not more than four years, the Board
47 of Trustees must determine that the long-term cost savings from
48 implementing the project is projected to be at least three times greater
49 than the cost of implementation.

50 d. No implementation project shall be paid for with LEIA funds for a
51 period of more than four years.

(4) Treatment of unused assets. – Any assets of the LEIA not used to pay allowed administrative expenses for timely administrative implementation of legislative provisions shall be transferred to the Retirement System as an additional employer contribution.

(5) Reporting. – The Department of State Treasurer shall report to the Board of Trustees, the Joint Legislative Commission on Government Operations, and the Fiscal Research Division on or before August 1 of each year on the (i) amounts and sources of funds collected by year pursuant to this section and (ii) the amounts expended, the projects for which those funds were expended, and the current status of the projects. The Board of Trustees shall also post this report on its public website."

SECTION 10.(b) G.S. 128-29 is amended by adding a new subsection to read:

"(g) Legislative Enactment Implementation Arrangement. – The Legislative Enactment Implementation Arrangement (LEIA) is established effective October 1, 2016, and placed under the management of the Board of Trustees. The purpose of the LEIA is to provide for timely administrative implementation of legislative provisions regarding the retirement of, or payment of retirement benefits to, public officers or public employees. The LEIA shall have the following parameters:

(1) Administration. – The LEIA shall be administered by the Board of Trustees, which shall compile and maintain all records necessary or appropriate for administration. The Board of Trustees shall have full discretionary authority to interpret, construe, and implement the LEIA and to adopt such rules and regulations as may be necessary or desirable to implement the provisions of the LEIA.

(2) Funding of the LEIA. – In the event that the General Assembly creates or modifies any provision for the retirement of, or payment of retirement benefits to, public officers or public employees that has a cost savings as measured by actuarial note required by Article 15 of Chapter 120 of the General Statutes, the Board of Trustees may direct up to one hundredth percent (0.01%) of the required contributions to fund the LEIA. These funds must be deposited in a separate fund from the fund into which regular employer contributions are deposited for the Retirement System. The Board of Trustees shall not direct any employer contributions into the LEIA after November 1, 2021.

(3) Allocation of LEIA funds. – The Board of Trustees may allocate LEIA funds to the implementation of legislative provisions regarding the retirement of, or payment for retirement benefits to, public officers or public employees, subject to the following restrictions:

a. The Board of Trustees must identify individual implementation projects that will be paid for with LEIA funds. These implementation projects must be necessitated by a specific statute or session law that was enacted within five years of the allocation of the funds. The Board of Trustees must also identify the number of years for which each individual implementation project will be paid for with LEIA funds.

b. For implementation projects that will be paid for with LEIA funds for a period of one year or less, the Board of Trustees must determine that the cost savings from implementing the project is projected to be no less than half of the amount of LEIA funds utilized to pay for implementation.

c. For implementation projects that will be paid for with LEIA funds for a period of greater than one year, but not more than four years, the Board of Trustees must determine that the long-term cost savings from

- 1 implementing the project is projected to be at least three times greater
2 than the cost of implementation.
3 d. No implementation project shall be paid for with LEIA funds for a
4 period of more than four years.
5 (4) Treatment of unused assets. – Any assets of the LEIA not used to pay allowed
6 administrative expenses for timely administrative implementation of legislative
7 provisions shall be transferred to the Retirement System as an additional
8 employer contribution.
9 (5) Reporting. – The Department of State Treasurer shall report to the Board of
10 Trustees, the Joint Legislative Commission on Government Operations, and the
11 Fiscal Research Division on or before August 1 of each year on the (i) amounts
12 and sources of funds collected by year pursuant to this section and (ii) the
13 amounts expended, the projects for which those funds were expended, and the
14 current status of the projects. The Board of Trustees shall also post this report
15 on its public website."

16 **SECTION 10.(c)** This section becomes effective October 1, 2016.

17 **SECTION 11.(a)** The February 5, 2008, Attorney General's advisory opinion entitled
18 "Advisory Opinion: Confidentiality of Retirement Benefit Information; Session Law 2007-508"
19 concluded that information about retirement benefits was intended to be included among those
20 records required to be maintained for public inspection by each department, agency, institution,
21 commission, and bureau of the State and that as a result the Retirement Systems Division of the
22 Department of the State Treasurer makes that information available for public inspection and
23 examination. The General Assembly finds that the interests of clarity require statutory language
24 providing guidance to the Retirement Systems Division in determining and maintaining
25 consistency as to what information should be made available about the retirement accounts of
26 State and local employees.

27 **SECTION 11.(b)** Article 1 of Chapter 135 of the General Statutes is amended by
28 adding a new section to read:

29 **"§ 135-6.1. Member retirement record files held by the Retirement System.**

30 (a) The following definitions apply in this section:

- 31 (1) Employment-related information. – As defined in G.S. 126-22(b)(3).
32 (2) Personal information. – As defined in G.S. 126-22(b)(3).
33 (3) Retirement file. – Any employment-related, retirement-related, or personal
34 information of members in a State-administered retirement plan gathered by the
35 Retirement Systems Division of the Department of State Treasurer.
36 (4) Retirement-related information. – Information including membership and
37 service details, benefit payment information, and other information the
38 Retirement Systems Division of the Department of State Treasurer deems
39 necessary to administer a retirement plan.

40 (b) Member retirement files are not subject to inspection and examination as authorized by
41 G.S. 132-6 except as provided in G.S. 135-6(p), G.S. 128-28(q), and subsections (c), (d), and (e)
42 of this section.

43 (c) The following information regarding members and individuals in receipt of a recurring
44 monthly benefit, if held by the Retirement System, is public and subject to subsection (d) of this
45 section:

- 46 (1) Name.
47 (2) Age.
48 (3) Date of membership in the applicable retirement system, first service earned
49 date, date of first enrollment, date of first employment, and date of retirement.

- (4) The terms of any contract by which the member is employed whether written or oral, past and current, to the extent that the Retirement System has the written contract or a record of the oral contract in its possession.
- (5) Current or most recently held position or title.
- (6) Compensation and other relevant remuneration history and benefits paid.
- (7) Date, general description, and type of each change and the corresponding employing agency.
- (8) The office or station to which the member is currently assigned, if any.
- (9) The record of benefit payments made by one of the Retirement Systems or Disability Benefits Programs administered by the Department of State Treasurer to a member or to the survivor, beneficiary, or alternate payee of a member.
- (10) Purchases of educational leave.

(d) Subject only to rules and policies for the safekeeping of member retirement files adopted by the Board of Trustees, every person having custody of the retirement file information outlined in subsection (b) of this section shall permit the information to be inspected and examined and copies thereof made by any person during regular business hours. Any person who is denied access to any retirement file for the purpose of inspecting, examining, or copying the file has a right to compel compliance with the provisions of this section by application to a court of competent jurisdiction for a writ of mandamus or other appropriate relief.

(e) The Retirement Systems Division of the Department of State Treasurer may disclose the name and mailing address of former State employees, former public school employees, or former community college employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees.

(f) All information other than the information listed in subsection (c) of this section contained in a retirement file is confidential and not open for inspection and examination except to the following persons:

- (1) The member, or the member's authorized agent, who may examine his or her own retirement file, except for any information concerning a medical disability, mental or physical, that a prudent physician would not divulge to a patient. A member's medical record may be disclosed to a licensed physician in writing by the member.
- (2) A member of the General Assembly who may inspect and examine records under the authority of G.S. 120-19.
- (3) A party by authority of a proper court order may inspect and examine a particular confidential portion of a member's retirement file.

(g) Any public official or employee who knowingly and willfully permits any person to have access to or custody or possession of any portion of a retirement file designated as confidential by this section, unless the person is one specifically authorized by this section to have access thereto for inspection and examination, is guilty of a Class 3 misdemeanor and upon conviction shall only be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00).

(h) Any person not specifically authorized by this section to have access to a retirement file designated as confidential by this section, who knowingly and willfully examines, removes, or copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon conviction shall be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00)."

SECTION 11.(c) Article 3 of Chapter 128 of the General Statutes is amended by adding a new section to read:

"§ 128-33.1. Public records held by the Retirement System.

(a) The following definitions apply in this section:

- (1) Employment-related information. – As defined in G.S. 126-22(b)(3).
- (2) Personal information. – As defined in G.S. 126-22(b)(3).
- (3) Retirement file. – Any employment-related, retirement-related, or personal information of members in a State-administered retirement plan gathered by the Retirement Systems Division of the Department of State Treasurer.
- (4) Retirement-related information. – Information including membership and service details, benefit payment information, and other information the Retirement Systems Division of the Department of State Treasurer deems necessary to administer a retirement plan.

(b) Member retirement files are not subject to inspection and examination as authorized by G.S. 132-6 except as provided in G.S. 135-6(p), G.S. 128-28(q), and subsections (c), (d), and (e) of this section.

(c) The following information regarding members and individuals in receipt of a recurring monthly benefit, if held by the Retirement System, is public subject to subsection (d) of this section:

- (1) Name.
- (2) Age.
- (3) Date of membership in the applicable retirement system, first service earned date, date of first enrollment, date of first employment, and date of retirement.
- (4) The terms of any contract by which the member is employed whether written or oral, past and current, to the extent that the Retirement System has the written contract or a record of the oral contract in its possession.
- (5) Current or most recently held position or title.
- (6) Compensation and other relevant remuneration history and benefits paid.
- (7) Date, general description, and type of each change and the corresponding employing agency.
- (8) The office or station to which the member is currently assigned, if any.
- (9) The record of benefit payments made by one of the Retirement Systems or Disability Benefits Programs administered by the Department of State Treasurer to a member or to the survivor, beneficiary, or alternate payee of a member.
- (10) Purchases of educational leave.

(d) Subject only to rules and policies for the safekeeping of member retirement files adopted by the Board of Trustees, every person having custody of the retirement file information outlined in subsection (b) of this section shall permit the information to be inspected and examined and copies thereof made by any person during regular business hours. Any person who is denied access to any retirement file for the purpose of inspecting, examining, or copying the file has a right to compel compliance with the provisions of this section by application to a court of competent jurisdiction for a writ of mandamus or other appropriate relief.

(e) The Retirement Systems Division of the Department of State Treasurer may disclose the name and mailing address of former State employees, former public school employees, or former community college employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees.

(f) All information other than the information listed in subsection (c) of this section contained in a retirement file is confidential and not open for inspection and examination except to the following persons:

- (1) The member, or the member's authorized agent, who may examine his or her own retirement file, except for any information concerning a medical disability, mental or physical, that a prudent physician would not divulge to a patient. A member's medical record may be disclosed to a licensed physician in writing by the member.

(2) A member of the General Assembly who may inspect and examine records under the authority of G.S. 120-19.

(3) A party by authority of a proper court order may inspect and examine a particular confidential portion of a member's retirement file.

(g) Any public official or employee who knowingly and willfully permits any person to have access to or custody or possession of any portion of a retirement file designated as confidential by this section, unless the person is one specifically authorized by this section to have access thereto for inspection and examination, is guilty of a Class 3 misdemeanor and upon conviction shall only be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00).

(h) Any person not specifically authorized by this section to have access to a retirement file designated as confidential by this section, who knowingly and willfully examines, removes, or copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon conviction shall be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00)."

SECTION 11.(d) G.S. 126-22 reads as rewritten:

"§ 126-22. Personnel files not subject to inspection under § 132-6.

(a) Except as provided in G.S. 126-23 and G.S. 126-24, personnel files of State employees shall not be subject to inspection and examination as authorized by G.S. 132-6.

(b) For purposes of this Article the following definitions apply:

(1) "Employee" means any current State employee, former State employee, or applicant for State employment.

(2) "Employer" means any State department, university, division, bureau, commission, council, or other agency subject to Article 7 of this Chapter.

(3) "Personnel file" means any employment-related or personal information gathered by an ~~employer, the Retirement Systems Division of the Department of State Treasurer,~~ employer or by the Office of State Human Resources. Employment-related information contained in a personnel file includes information related to an individual's application, selection, promotion, demotion, transfer, leave, salary, contract for employment, benefits, suspension, performance evaluation, disciplinary actions, and termination. Personal information contained in a personnel file includes an individual's home address, social security number, medical history, personal financial data, marital status, dependents, and beneficiaries.

(4) "Record" means the personnel information that each employer is required to maintain in accordance with G.S. 126-23.

(c) Personnel files of former State employees who have been separated from State employment for 10 or more years may be open to inspection and examination except for papers and documents relating to demotions and to disciplinary actions resulting in the dismissal of the ~~employee and personnel files maintained by the Retirement Systems Division of the Department of State Treasurer,~~ employee. Retirement files maintained by the Retirement Systems Division of the Department of State Treasurer shall be made public pursuant to G.S. 128-33.1 and G.S. 135-6.1.

~~(d) Notwithstanding any provision of this section to the contrary, the Retirement Systems Division of the Department of State Treasurer may disclose the name and mailing address of former State employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees."~~

SECTION 11.(e) G.S. 115C-321(b1) is repealed.

SECTION 11.(f) G.S. 115D-29(c) is repealed.

SECTION 11.(g) G.S. 153A-98(c3) is repealed.

SECTION 11.(h) G.S. 160A-168(c3) is repealed.

1 **SECTION 12.(a)** G.S. 135-10.1 reads as rewritten:

2 **"§ 135-10.1. Failure to respond.**

3 If a member fails to respond within 120 days after preliminary option figures and the Form 6-E
4 or Form 7-E are ~~mailed,transmitted to the member,~~ or if a member fails to respond within 120
5 days after the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null
6 and void; the retirement system shall not be liable for any benefits due on account of the voided
7 application, and a new application must be filed establishing a subsequent effective date of
8 retirement. If an applicant for disability retirement fails to furnish requested additional medical
9 information within 90 days following such request, the application shall be declared null and void
10 under the same conditions outlined above, unless the applicant is eligible for early or service
11 retirement in which case the application shall be processed accordingly, using the same effective
12 date as would have been used had the application for disability retirement been approved. The
13 Director of the Retirement Systems Division, acting on behalf of the Board of Trustees, may
14 extend the 120-day limitation provided for in this section when a member has suffered
15 incapacitation such that a reasonable person would not have expected the member to be able to
16 complete the required paperwork within the regular deadline, or when an omission by the
17 Retirement Systems Division prevents the member from having sufficient time to meet the regular
18 deadline."

19 **SECTION 12.(b)** G.S. 128-32.1 reads as rewritten:

20 **"§ 128-32.1. Failure to respond.**

21 If a member fails to respond within 120 days after preliminary option figures and the Form 6-E
22 or Form 7-E are ~~mailed,transmitted to the member,~~ or if a member fails to respond within 120
23 days after the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null
24 and void; the retirement system shall not be liable for any benefits due on account of the voided
25 application, and a new application must be filed establishing a subsequent effective date of
26 retirement. If an applicant for disability retirement fails to furnish requested additional medical
27 information within 90 days following such request, the application shall be declared null and void
28 under the same conditions outlined above, unless the applicant is eligible for early or service
29 retirement in which case the application shall be processed accordingly, using the same effective
30 date as would have been used had the application for disability retirement been approved. The
31 Director of the Retirement Systems Division, acting on behalf of the Board of Trustees, may
32 extend the 120-day limitation provided for in this section when a member has suffered
33 incapacitation such that a reasonable person would not have expected the member to be able to
34 complete the required paperwork within the regular deadline, or when an omission by the
35 Retirement Systems Division prevents the member from having sufficient time to meet the regular
36 deadline."

37 **SECTION 13.(a)** G.S. 135-18.8 reads as rewritten:

38 **"§ 135-18.8. Deduction for payments allowed.**

39 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association
40 that has at least ~~2,000~~10,000 members, the majority of whom are active or retired employees of
41 the State or public school employees, may authorize, in writing, the periodic deduction from the
42 beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees'
43 association. The authorization shall remain in effect until revoked by the ~~beneficiary.~~beneficiary,
44 and proof of the authorization must be available upon request to the Department of the State
45 Treasurer. A plan of deductions pursuant to this section shall become void if the employees' or
46 retirees' association engages in collective bargaining with the State, any political subdivision of
47 the State, or any local school administrative unit.

48 (b) Any beneficiary may also authorize, in writing, the monthly deduction from the
49 beneficiary's retirement benefits of a designated lump sum to be paid to the State Health Plan for
50 any dependent whom the beneficiary wishes to cover under the State Health Plan. In the event that
51 the beneficiary's own State Health Plan coverage is contributory, in whole or in part, the

beneficiary may also authorize a designated lump sum to be paid to the State Health Plan on behalf of the beneficiary. In addition, a beneficiary may similarly authorize the deduction for supplemental voluntary insurance benefits, provided that the deduction is authorized by the Department of State Treasurer and is payable to a company with which the Department of State Treasurer has or had an exclusive contractual relationship. Any such authorization shall remain in effect until revoked by the ~~beneficiary-beneficiary~~, and proof of the authorization must be available on request by the Department of the State Treasurer."

SECTION 13.(b) G.S. 135-75 reads as rewritten:

"§ 135-75. Deduction for payments allowed.

(a) Any beneficiary who is a member of a domiciled employees' or retirees' association that has at least ~~2,000~~10,000 members, the majority of whom are active or retired employees of the State or public school employees, may authorize, in writing, the periodic deduction from the beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees' association. The authorization shall remain in effect until revoked by the ~~beneficiary-beneficiary~~, and proof of the authorization must be available on request of the Department of the State Treasurer. A plan of deductions pursuant to this section shall become void if the employees' or retirees' association engages in collective bargaining with the State, any political subdivision of the State, or any local school administrative unit.

(b) Any beneficiary eligible for coverage under the State Health Plan may also authorize, in writing, the monthly deduction from the beneficiary's retirement benefits of a designated lump sum to be paid to the State Health Plan for any dependent whom the beneficiary wishes to cover under the State Health Plan. In the event that the beneficiary's own State Health Plan coverage is contributory, in whole or in part, the beneficiary may also authorize a designated lump sum to be paid to the State Health Plan on behalf of the beneficiary. In addition, a beneficiary may similarly authorize the deduction for supplemental voluntary insurance benefits, provided that the deduction is authorized by the Department of State Treasurer and is payable to a company with which the Department of State Treasurer has or had an exclusive contractual relationship. Any such authorization shall remain in effect until revoked by the ~~beneficiary-beneficiary~~, and proof of the authorization must be available on request of the Department of the State Treasurer."

SECTION 13.(c) G.S. 128-38.3 reads as rewritten:

"§ 128-38.3. Deduction for payments allowed.

(a) Any beneficiary who is a member of a domiciled employees' or retirees' association that has at least ~~2,000~~10,000 members, the majority of whom are active or retired employees of employers as defined in G.S. 128-21(11), may authorize, in writing, the periodic deduction from the beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees' association. The authorization shall remain in effect until revoked by the ~~beneficiary-beneficiary~~, and proof of the authorization must be available on request of the Department of the State Treasurer. A plan of deductions pursuant to this section shall become void if the employees' or retirees' association engages in collective bargaining with the State, any political subdivision of the State, or any local school administrative unit.

(b) Any beneficiary eligible for coverage under the State Health Plan may also authorize, in writing, the monthly deduction from the beneficiary's retirement benefits of a designated lump sum to be paid to the State Health Plan for any dependent whom the beneficiary wishes to cover under the State Health Plan. In the event that the beneficiary's own State Health Plan coverage is contributory, in whole or in part, the beneficiary may also authorize a designated lump sum to be paid to the State Health Plan on behalf of the beneficiary. In addition, a beneficiary may similarly authorize the deduction for supplemental voluntary insurance benefits, provided that the deduction is authorized by the Department of State Treasurer and is payable to a company with which the Department of State Treasurer has or had an exclusive contractual relationship. Any such authorization shall remain in effect until revoked by the ~~beneficiary-beneficiary~~, and proof of the authorization must be available on request of the Department of the State Treasurer.

(c) For local employers who made arrangements with the Retirement System prior to January 1, 2016, any beneficiary who is a retiree from an employer in the Retirement System under this Article may authorize the periodic deduction from the beneficiary's retirement benefits as designated lump sum to be paid to the beneficiary's former employer for the purpose of providing health benefits. The authorization shall remain in effect until revoked by the beneficiary, and proof of the authorization must be available on request of the Department of the State Treasurer."

SECTION 13.(d) G.S. 120-4.32 reads as rewritten:

"§ 120-4.32. Deduction for payments allowed.

(a) Any beneficiary who is a member of a domiciled employees' or retirees' association that has at least ~~2,000~~10,000 members, the majority of whom are active or retired employees of the State or public school employees, may authorize, in writing, the periodic deduction from the beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees' association. The authorization shall remain in effect until revoked by the ~~beneficiary~~ beneficiary, and proof of the authorization must be available on request of the Department of the State Treasurer. A plan of deductions pursuant to this section shall become void if the employees' or retirees' association engages in collective bargaining with the State, any political subdivision of the State, or any local school administrative unit.

(b) Any beneficiary eligible for coverage under the State Health Plan may also authorize, in writing, the monthly deduction from the beneficiary's retirement benefits of a designated lump sum to be paid to the State Health Plan for any dependent whom the beneficiary wishes to cover under the State Health Plan. In the event that the beneficiary's own State Health Plan coverage is contributory, in whole or in part, the beneficiary may also authorize a designated lump sum to be paid to the State Health Plan on behalf of the beneficiary. In addition, a beneficiary may similarly authorize the deduction for supplemental voluntary insurance benefits, provided that the deduction is authorized by the Department of State Treasurer and is payable to a company with which the Department of State Treasurer has or had an exclusive contractual relationship. Any such authorization shall remain in effect until revoked by the ~~beneficiary~~ beneficiary, and proof of the authorization must be available on request of the Department of the State Treasurer."

SECTION 13.(e) G.S. 127A-40(h1) reads as rewritten:

"(h1) Any member or former member of the North Carolina National Guard who is qualified for benefits under this section and who is a member of a domiciled employees' or retirees' association that has at least ~~2,000~~10,000 members, the majority of whom are active or retired employees of the State or public school employees, may authorize, in writing, the periodic deduction from the member's retirement benefits a designated lump sum to be paid to the employees' or retirees' association. The authorization shall remain in effect until revoked by the ~~member~~ Member, and proof of the authorization must be available upon request to the Department of the State Treasurer. A plan of deductions pursuant to this subsection shall become void if the employees' or retirees' association engages in collective bargaining with the State, any political subdivision of the State, or any local school administrative unit."

SECTION 13.(f) G.S. 135-18.8(a) is repealed.

SECTION 13.(g) G.S. 135-75(a) is repealed.

SECTION 13.(h) G.S. 128-38.3(a) is repealed.

SECTION 13.(i) G.S. 128-38.3(c) is repealed.

SECTION 13.(j) G.S. 120-4.32(a) is repealed.

SECTION 13.(k) G.S. 127A-40(h1) is repealed.

SECTION 13.(l) Subsections (f), (g), (h), (i), (j) and (k) of this section become effective July 1, 2017. The remainder of this section is effective when it becomes law.

SECTION 14. S.L. 2015-68, Section 2 is repealed.

SECTION 15.(a) G.S. 143B-426.40G(b) reads as rewritten:

"(b) The State Treasurer may impose on an agency with non-State funds a fee of fifteen dollars (\$15.00) for each check drawn against the agency's disbursing account that causes the balance in the account to be in overdraft or while the account is in overdraft. The financial officer shall pay the fee from the agency's non-State or personal funds to the General Fund to the credit of the miscellaneous nontax revenue account by the agency."

SECTION 15.(b) This section becomes effective October 1, 2016.

SECTION 16. Article 6 of Chapter 147 of the General Statutes is amended by adding a new section to read:

"§ 147-68.2. Confidentiality of warrants issued by the State.

Information contained in records held by the State about outstanding, unpaid warrants issued by the State are confidential and not available for public inspection to the extent that the Treasurer determines that information would be sufficient to counterfeit a warrant."

SECTION 17. G.S. 147-79(a) reads as rewritten:

"(a) The amount of funds deposited by the State Treasurer in an official depository shall be adequately secured by deposit insurance, surety bonds, letters of credit issued by a Federal Home Loan Bank, or investment securities of such nature, in such amounts, and in such manner, as may be prescribed by rule or regulation of the State Treasurer with the approval of the Governor and Council of State. No security is required for the protection of funds remitted to and received by a bank or trust company designated by the State Treasurer under G.S. 142-1 and acting as paying agent for the payment of the principal of or interest on bonds or notes of the State."

SECTION 18.(a) G.S. 115C-341.2 reads as rewritten:

"§ 115C-341.2. Department of State Treasurer sponsored 403(b) option.

(a) In addition to the opportunities for local boards of education to offer section 403(b) of the Internal Revenue Code of 1986 retirement annuities and/or mutual funds to their employees under G.S. 115C-341, the Department of State Treasurer may establish an approved third-party vendor of retirement offerings as described in section 403(b) of the Internal Revenue Code of 1986, as now and hereafter amended, pursuant to which employees of local school boards may enter into nonforfeitable 403(b) plan options by way of salary reduction through the auspices of the Department of State Treasurer. This statewide plan of 403(b) offerings shall be known as the "North Carolina Public School Teachers' and Professional Educators' Investment Plan." The vendor authorized under this section shall be selected by use of State Supplemental Retirement Board of Trustees procurement procedures ~~procedures~~ under Article 5 of Chapter 135 of the General Statutes, with the goal of attaining lower administrative fees and enhanced services for participants and employer compliance with applicable law and regulations. Eligible employees of local school boards shall all be allowed to use this vendor for the tax-deferred 403(b) option of their choice.

(b) The criteria in this subsection apply to the Department of State Treasurer's 403(b) offerings to employees of local school boards under this section.

(1) Annuity contracts, trust accounts, and/or custodial accounts shall be administered by a qualified third-party administrator that shall, under written agreement with the Department of State Treasurer, provide custodial, record-keeping, and administrative services. The third-party administrator may also be the selected vendor for the North Carolina Public School Teachers' and Professional Educators' Investment Plan.

For employers choosing to participate in the North Carolina Public School Teachers' and Professional Educators' Investment Plan, the third-party administrator shall, at a minimum, provide the following:

- a. Maintain a written plan document.
- b. Review hardship withdrawal requests, loan requests, and other disbursements permitted under section 403(b) of the Internal Revenue Code of 1986.

- c. Maintain specimen salary reduction agreements for the employer and employees of that employer to initiate payroll deferrals.
 - d. Monitor maximum contributions.
 - e. Coordinate responses to the Internal Revenue Service in any case of an IRS audit.
 - f. Generate educational communication materials to employees concerning the enrollment process, program eligibility, and investment options.
 - g. Maintain internal reports to ensure compliance with Section 403(b) of the Internal Revenue Code and Title 26 of the Code of Federal Regulations.
 - h. Provide compliance monitoring/oversight for all 403(b) plans established under G.S. 115C-341 within each participating local board of education plan by creating and establishing the necessary connections and processes with existing and future vendors.
 - i. Keep an updated schedule of vendor fees and commissions as to the Department's statewide ~~plan-plan~~ of 403(b) offerings.
- (2) Governance and oversight of the North Carolina Public School Teachers' and Professional Educators' Investment Plan will be performed under Article 5 of Chapter 135 of the General Statutes by the Department of State Treasurer and the Supplemental Retirement Board of Trustees ~~for the North Carolina Supplemental Retirement Plans~~ established pursuant to G.S. 135-96. Because of the administrative and record-keeping duties enumerated in subdivision (1) of this subsection, any existing vendor of a 403(b) with a participating employer must either agree to share data with the State's 403(b) vendor under this provision (so as to permit oversight over contribution limits, loans, and hardship withdrawals) or be directed by the participating employer to cease accepting new contributions, loans, and hardship withdrawals.
- (3) Investment options shall be solely determined by the Department of State Treasurer and the Supplemental Retirement Board of Trustees ~~for the North Carolina Supplemental Retirement Plans~~ consistent with section 403(b) of the Internal Revenue Code of 1986, as amended.
- (4) Investment staff of the Department of State Treasurer may make recommendations to the State Treasurer and the Supplemental Retirement Board of Trustees ~~for the North Carolina Supplemental Retirement Plans~~ as to appropriate investment options. The Pursuant to G.S. 135-96, the State Treasurer and Board of Trustees shall have sole responsibility for the selection of the vendor, third-party administrator, providers of investment options, and any other service provider for the North Carolina Public School Teachers' and Professional Educators' Investment Plan.
- (5) All contributions made in accordance with the provisions of section 403(b) of the Internal Revenue Code of 1986, as amended, and this section shall be remitted directly to the administrator and held by the administrator in a custodial account on behalf of each participating employee. Any investment gains or losses shall be credited to those accounts. The forms of payment and disbursement procedures shall be consistent with those generally offered by similar annuity contracts, trust accounts, and custodial accounts and applicable federal and State statutes governing those contracts and accounts.
- (6) Any local board of education may elect to make contributions to the employee's account on behalf of the employee. The employer shall take whatever action is necessary to implement this section.

- (7) The design and administration of annuity contracts, trust accounts, and custodial accounts under this provision shall comply with all applicable provisions of the Internal Revenue Code of 1986, as amended."

SECTION 18.(b) G.S. 115D-25.4(b) reads as rewritten:

"(b) The criteria in this subsection apply to the Department of State Treasurer's 403(b) offerings to employees of local boards of trustees under this section:

- (1) Annuity contracts, trust accounts, and/or custodial accounts shall be administered by a qualified third-party administrator that shall, under written agreement with the Department of State Treasurer, provide custodial, record-keeping, and administrative services. The third-party administrator may also be the selected vendor for the North Carolina Public School Teachers' and Professional Educators' Investment Plan.

For local boards of trustees as employers choosing to participate in the North Carolina Public School Teachers' and Professional Educators' Investment Plan, the third-party administrator shall, at a minimum, provide the following:

- a. Maintain a written plan document.
- b. Review hardship withdrawal requests, loan requests, and other disbursements permitted under section 403(b) of the Internal Revenue Code of 1986.
- c. Maintain specimen salary reduction agreements for the employer and employees of that employer to initiate payroll deferrals.
- d. Monitor maximum contributions.
- e. Coordinate responses to the Internal Revenue Service in any case of an IRS audit.
- f. Generate educational communication materials to employees concerning the enrollment process, program eligibility, and investment options.
- g. Maintain internal reports to ensure compliance with section 403(b) of the Internal Revenue Code and Title 26 of the Code of Federal Regulations.
- h. Provide compliance monitoring/oversight for all 403(b) plans established under G.S. 115D-25 within each participating local board of trustees plan by creating and establishing the necessary connections and processes with existing and future vendors.
- i. Keep an updated schedule of vendor fees and commissions as to the Department's statewide ~~plan~~ plan of 403(b) offerings.

- (2) Governance and oversight of the North Carolina Public School Teachers' and Professional Educators' Investment Plan will be performed under Article 5 of Chapter 135 of the General Statutes by the Department of State Treasurer and the Supplemental Retirement Board of Trustees ~~for the North Carolina Supplemental Retirement Plans~~ established pursuant to G.S. 135-96. Because of the administrative and record-keeping duties enumerated in subdivision (1) of this subsection, any existing vendor of a 403(b) with a participating employer must either agree to share data with the State's 403(b) vendor under this provision (so as to permit oversight over contribution limits, loans, and hardship withdrawals) or be directed by the participating employer to cease accepting new contributions, loans, and hardship withdrawals.
- (3) Investment options shall be solely determined by the Department of State Treasurer and the Supplemental Retirement Board of Trustees ~~for the North Carolina Supplemental Retirement Plans~~ consistent with section 403(b) of the Internal Revenue Code of 1986, as amended.

- 1 (4) Investment staff of the Department of State Treasurer may make
2 recommendations to the State Treasurer and the Supplemental Retirement
3 Board of Trustees for the North Carolina Supplemental Retirement Plans as to
4 appropriate investment options. The Pursuant to G.S. 135-96, the State
5 Treasurer and Board of Trustees shall have sole responsibility for the selection
6 of the vendor, third-party administrator, providers of investment options, and
7 any other service provider for the North Carolina Public School Teachers' and
8 Professional Educators' Investment Plan.
- 9 (5) All contributions made in accordance with the provisions of section 403(b) of
10 the Internal Revenue Code of 1986, as amended, and this section shall be
11 remitted directly to the administrator and held by the administrator in a
12 custodial account on behalf of each participating employee. Any investment
13 gains or losses shall be credited to those accounts. The forms of payment and
14 disbursement procedures shall be consistent with those generally offered by
15 similar annuity contracts, trust accounts, and custodial accounts and applicable
16 federal and State statutes governing those contracts and accounts.
- 17 (6) Any local board of trustees may elect to make contributions to the employee's
18 account on behalf of the employee. The local board of trustees shall take
19 whatever action is necessary to implement this section.
- 20 (7) The design and administration of annuity contracts, trust accounts, and
21 custodial accounts under this provision shall comply with all applicable
22 provisions of the Internal Revenue Code of 1986, as amended."

23 **SECTION 19.(a)** G.S. 115C-436 is amended by adding a new subsection to read:

24 "(c) Upon receipt of a report from the North Carolina Teachers' and State Employees'
25 Retirement System, generated pursuant to G.S. 135-8(f)(2)f., containing a list of employees for
26 whom the local board of education made a contribution to the North Carolina Teachers' and State
27 Employees' Retirement System that is likely to require an additional employer contribution should
28 the employee elect to retire in the following 12 months, the school financial officer shall transmit a
29 copy of the report to the local board of education. The school financial officer shall also notify the
30 board of county commissioners of the county in which the local administrative unit is located that
31 the report was received and the number of employees listed in the report."

32 **SECTION 19.(b)** G.S. 135-8 is amended by adding a new subsection to read:

33 "(j) Pension Spiking Report. – Upon receipt of a report from the Retirement System generated
34 pursuant to G.S. 135-8(f)(2)f., containing a list of employees for whom the employer made a
35 contribution to the North Carolina Teachers' and State Employees' Retirement System that is
36 likely to require an additional employer contribution should the employee elect to retire in the
37 following 12 months, the employer's chief financial officer shall transmit a copy of the report to
38 the chief executive of the employer, as well as to the governing body of the employer, including
39 any board which exercises financial oversight of the employer, if applicable."

40 **SECTION 19. (c)** G.S. 128-30 is amended by adding a new subsection to read:

41 "(j) Pension Spiking Report. – Upon receipt of a report from the Retirement System generated
42 pursuant to G.S. 135-8(f)(2)f., containing a list of employees for whom the employer made a
43 contribution to the North Carolina Local Governmental Employees' Retirement System that is
44 likely to require an additional employer contribution should the employee elect to retire in the
45 following 12 months, the employer's chief financial officer shall transmit a copy of the report to
46 the governing body of the employer, if applicable."

47 **SECTION 20.(a)** G.S. 135-1(7a) reads as rewritten:

48 "(7a) a. "Compensation" shall ~~mean~~mean, for members who became members
49 prior to January 1, 2017, all salaries and wages prior to any reduction
50 pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the
51 Internal Revenue Code, not including any terminal payments for unused

sick leave, derived from public funds which are earned by a member of the Retirement System for service as an employee or teacher in the unit of the Retirement System for which he is performing full-time work. In addition to the foregoing, "compensation" shall ~~include~~include the following:

1. Performance-based compensation (regardless of whether paid in a lump sum, in periodic installments, or on a monthly ~~basis~~basis).
2. Conversion of additional benefits to salary (additional benefits such as health, life, or disability plans), so long as the benefits are other than mandated by State law or ~~regulation~~regulation.
3. Payment of tax consequences for benefits provided by the employer, so long as they constitute an adjustment or increase in salary and not a "reimbursement of ~~expenses~~"expenses."
4. Payout of vacation ~~leave~~leave, so long as such payouts are permitted by applicable law and ~~regulation~~regulation.
5. Employee contributions to eligible deferred compensation ~~plans~~and plans.
6. Effective July 1, 2009, payment of military differential wages.

a1. "Compensation" shall mean, for members who became members on or after January 1, 2017, all salaries and wages prior to any reduction pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the Internal Revenue Code, not including any terminal payments for unused sick leave, derived from public funds which are earned by a member of the Retirement System for service as an employee or teacher in the unit of the Retirement System for which he or she is performing full-time work. In addition to the foregoing, "compensation" shall include the following:

1. Performance-based compensation (regardless of whether paid in a lump sum, in periodic installments, or on a monthly basis).
2. Payment of tax consequences for benefits provided by the employer, so long as they constitute an adjustment or increase in salary and not a "reimbursement of expenses."
3. Payout of vacation leave, so long as such payouts are permitted by applicable law and regulation.
4. Employee contributions to eligible deferred compensation plans.
5. Payment of military differential wages.

b. "Compensation" shall not include any payment, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances whether or not classified as salary and wages. "Compensation" includes all special pay contribution of annual leave made to a 401(a) Special Pay Plan for the benefit of an employee. Notwithstanding any other provision of this Chapter, "compensation" shall not include:

1. Supplement/allowance provided to employee to purchase additional benefits such as health, life, or disability plans;
2. Travel supplement/allowance (nonaccountable allowance plans);
3. Employer contributions to eligible deferred compensation plans;
4. Employer-provided fringe benefits (additional benefits such as health, life, or disability plans);
5. Reimbursement of uninsured medical expenses;

6. Reimbursement of business expenses;
 7. Reimbursement of moving expenses;
 8. Reimbursement/payment of personal expenses;
 9. Incentive payments for early retirement;
 10. Bonuses paid incident to retirement;
 - 10a. Local supplementation as authorized under G.S. 7A-300.1 for Judicial Department employees;
 11. Contract buyout/severance payments; and
 12. Payouts for unused sick leave.
 13. For members who became members after January 1, 2017, conversion of additional benefits to salary, such as health, life, or disability plans, so long as the benefits are other than mandated by State law or regulation.
- c. In the event an employer reports as "compensation" payments not specifically included or excluded as "compensation", such payments shall be "compensation" for retirement purposes only if the employer pays the Retirement System the additional actuarial liability created by such payments."

SECTION 20.(b) G.S. 128-21(7a) reads as rewritten:

- "(7a) a. "Compensation" shall ~~mean~~mean, for members who became members prior to January 1, 2017, all salaries and wages prior to any reduction pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the Internal Revenue Code, not including any terminal payments for unused sick leave, derived from public funds which are earned by a member of the Retirement System for service as an employee in the unit of the Retirement System for which he is performing full-time work. In addition to the foregoing, "compensation" shall ~~include~~include the following:
1. Performance-based compensation (regardless of whether paid in a lump sum, periodic installments, or on a monthly ~~basis~~basis).
 2. Conversion of additional benefits to salary (additional benefits such as health, life, or disability plans), so long as the benefits are other than mandated by State law or ~~regulation~~regulation.
 3. Payment of tax consequences for benefits provided by the employer so long as they constitute an adjustment or increase in salary and not a "reimbursement of ~~expenses~~expenses."
 4. Payout of vacation ~~leave~~leave, so long as such payouts are permitted by applicable law and ~~regulation~~regulation.
 5. Employee contributions to eligible deferred compensation ~~plans~~and plans.
 6. Effective July 1, 2009, payment of military differential wages.
- a1. "Compensation" shall mean, for members who became members on or after January 1, 2017, all salaries and wages prior to any reduction pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the Internal Revenue Code, not including any terminal payments for unused sick leave, derived from public funds which are earned by a member of the Retirement System for service as an employee in the unit of the Retirement System for which he or she is performing full-time work. In addition to the foregoing, "compensation" shall include the following:
1. Performance-based compensation (regardless of whether paid in a lump sum, in periodic installments, or on a monthly basis).

2. Payment of tax consequences for benefits provided by the employer, so long as they constitute an adjustment or increase in salary and not a "reimbursement of expenses."
 3. Payout of vacation leave, so long as such payouts are permitted by applicable law and regulation.
 4. Employee contributions to eligible deferred compensation plans.
 5. Payment of military differential wages.
- b. "Compensation" shall not include any payment, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances whether or not classified as salary and wages. Notwithstanding any other provision of this Chapter, "compensation" shall not include:
1. Supplement/allowance provided to employee to purchase additional benefits such as health, life, or disability plans;
 2. Travel supplement/allowance (nonaccountable allowance plans);
 3. Employer contributions to eligible deferred compensation plans;
 4. Employer-provided fringe benefits (additional benefits such as health, life, or disability plans);
 5. Reimbursement of uninsured medical expenses;
 6. Reimbursement of business expenses;
 7. Reimbursement of moving expenses;
 8. Reimbursement/payment of personal expenses;
 9. Incentive payments for early retirement;
 10. Bonuses paid incident to retirement;
 11. Contract buyout/severance payments; and
 12. Payouts for unused sick leave.
 13. For members who became members after January 1, 2017, conversion of additional benefits to salary, such as health, life, or disability plans, so long as the benefits are other than mandated by State law or regulation.
- c. In the event an employer reports as "compensation" payments not specifically included or excluded as "compensation", such payments shall be "compensation" for retirement purposes only if the employer pays the Retirement System the additional actuarial liability created by such payments."

SECTION 20.(c) This section becomes effective January 1, 2017.

SECTION 21. G.S. 135-109 reads as rewritten:

"§ 135-109. Reports of earnings.

The Department of State Treasurer and Board of Trustees ~~shall~~ may require each beneficiary to annually provide a statement of the beneficiary's income received as compensation for services, including fees, commissions, or similar items, income received from business, and benefits received from the Social Security Administration, the federal Veterans Administration, any other federal agency, under the North Carolina Workers' Compensation Act, or under the provisions of G.S. 127A-108. The benefit payable to a beneficiary who does not or refuses to provide the information requested within ~~60~~120 days after such request ~~shall not be paid~~ a benefit may be suspended until the information so requested is provided, and should such refusal or failure to provide such information continue for ~~240~~180 days after such request the right of a beneficiary to a benefit under the Article may be terminated."

SECTION 22. If any provision of this act or its application is held invalid, the invalidity does not affect other provisions or applications of this act that can be given effect

1 without the invalid provisions or application, and to this end the provisions of this act are
2 severable.
3 **SECTION 23.** Except as otherwise provided, this act is effective when it becomes
4 law.



Committee Sergeants at Arms

NAME OF COMMITTEE PENSIONS & Retirement

DATE: 5/31/16 Room: 415

House Sgt-At Arms:

1. Name: BARRY MOORE
2. Name: DAVID LITHICUM
3. Name: JONAS CHERRY
4. Name: BILL RILEY
5. Name: _____

Senate Sgt-At Arms:

1. Name: _____
2. Name: _____
3. Name: _____
4. Name: _____
5. Name: _____



VISITOR REGISTRATION SHEET

House Committee on Pensions and Retirement

May 31, 2016

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Ardis Watkins	SEANC
Kevin Sigrist	Dept State Treasurer
Starnes	OST
Solori	OST
Christina Strickland	Dept of State Treasurer
Steve Torle	DST - Retirement
Penny Buehler	School of God.



VISITOR REGISTRATION SHEET

House Committee on Pensions and Retirement

May 31, 2016

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Ruian Mcward	WM
Sandra Cherry	SEANC #62
Sadie McAllister	SEANC - #62
Francis B. M. Mathum	SEANC #62
LAURA B OVERSTREET	SEANC #62
Lewis N. Sasser, Sr.	SEANC District 62
Gloria Sasser	SEANC District 62
Mary Hinnant	SEANC District 62
Ann Marie Bellamy	SEANC District 24
R. Ross Hailey, Jr.	SEANC - PRESIDENT
Mitch Leonard	SEANC



VISITOR REGISTRATION SHEET

House Committee on Pensions and Retirement

May 31, 2016

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Maria Stone	SEANC member
David Holden	SEANC member
JAMES TYNDALL	SEANC
Christopher Allen	SEANC
Brian Cox	NCSFW
Larry Presnell	NCRSP
Pam Weardorff	NC Retired School Personnel
L. Rogers	NCRGEA
Flint Benson	SEANC
Chuck Stone	SEANC
Kevin S Gordon	NCSFA



House Committee on Pensions and Retirement
Tuesday, June 21, 2016 at 10:00am
Room 415 LOB

MINUTES

The House Committee on Pensions and Retirement met on Tuesday, June 21, 2016 at 10:00 am in Room 415 of the Legislative Office Building. Representatives McNeill, Ross, Michaux, L. Bell, Bishop, Elmore, Gill, Holley, Hurley, and Langdon attended.

Representative Allen McNeill presided and called the meeting to order at 10:00. He introduced the Sergeant at Arms staff and the pages.

Chairman McNeill recognized Representative Horn to present **HB 1135-Retirement Credits for Peace Corps Service**. Representative Horn explained the bill. There was some discussion and Representatives Bishop, Elmore, and Hurley asked questions of staff. Mr. David Vanderwiede from the Legislative Analysis Division answered these questions.

Chairman McNeill allowed public comment and Mr. Loren Hintz spoke in favor of the bill. Representative Langdon motioned for a favorable report. The motion passed.

Chairman McNeill then recognized Representative Fraley to explain **HB 1088 Allow Election Day Service-Retired LEO's**. Representative Fraley explained the bill. There was no discussion and Representative Bishop motioned for a favorable report. The motion passed.

There being no further business, Chairman McNeill adjourned the meeting at 10:20am.

Respectfully submitted,


Representative Allen McNeill, Chair


Laura Sullivan, Committee Clerk



Laura Sullivan (Rep. Allen McNeill)

From: Laura Spratley (Rep. Stephen Ross)
Sent: Monday, June 20, 2016 07:02 PM
To: Rep. Grier Martin; Rep. Craig Horn; Rep. Jon Hardister; Rep. Graig Meyer; Rep. Bert Jones; Rep. Rena Turner; Rep. John Fraley; Rep. John Bradford
Cc: Sylvia Hammons (Rep. Grier Martin); Pattie Fleming (Rep. Craig Horn); Jayne Nelson (Rep. Jon Hardister); Daphne Quinn (Rep. Graig Meyer); Brenda Olls (Rep. Bert Jones); Barbara Gaiser (Rep. Rena Turner); Carol Wakely (Rep. John Fraley); Anita Spence (Rep. John Bradford)
Subject: <NCGA> House Pensions and Retirement Committee Meeting Notice for Tuesday, June 21, 2016 at 10:00 AM
Attachments: Add Meeting to Calendar_LINC_ics

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Pensions and Retirement** will meet as follows:

DAY & DATE: Tuesday, June 21, 2016
TIME: 10:00 AM
LOCATION: 415 LOB
COMMENTS: Representative Ross will chair.

The following bills will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 1135	Retirement Credits for Peace Corps Service.	Representative Meyer Representative Horn Representative G. Martin Representative Hardister
HB 1088	Allow Election Day Service - Retired LEOs.	Representative Fraley Representative Jones Representative R. Turner Representative Bradford



Respectfully,

Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 7:01 PM on Monday, June 20, 2016.

____ Principal Clerk
____ Reading Clerk – House Chamber

Laura Spratley (Committee Assistant)



**House Committee on Pensions and Retirement
Tuesday, June 21, 2016, 10:00 AM
415 Legislative Office Building**

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
HB 1135	Retirement Credits for Peace Corps Service.	Representative Meyer Representative Horn Representative G. Martin Representative Hardister
HB 1088	Allow Election Day Service - Retired LEOs.	Representative Fraley Representative Jones Representative R. Turner Representative Bradford

Presentations

Other Business

Adjournment



2016 House Committee on Pensions and Retirement

(Name of Committee)

[illegible]



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 1135

Short Title: Retirement Credits for Peace Corps Service. (Public)

Sponsors: Representatives Meyer, Horn, G. Martin, and Hardister (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Pensions and Retirement

May 23, 2016

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW FOR THE PURCHASE OF CREDITABLE SERVICE IN THE STATE
3 RETIREMENT SYSTEMS AT FULL COST FOR PEACE CORPS VOLUNTEER
4 SERVICE.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** G.S. 135-4 is amended by adding a new subsection to read:

7 "(k1) Credit at Full Cost for Peace Corps Volunteer Service. – Notwithstanding any other
8 provisions of this Chapter, a member, upon completion of five years of membership service, may
9 purchase creditable service for periods of service as a Peace Corps volunteer or volunteer leader.
10 The member shall purchase this service by making a lump sum amount payable to the Annuity
11 Savings Fund equal to the full liability of the service credits calculated on the basis of the
12 assumptions used for purposes of the actuarial valuation of the liabilities of the Retirement
13 System; and the calculation of the amount payable shall take into account the retirement allowance
14 arising on account of the additional service credit commencing at the earliest age at which the
15 member could retire on an unreduced retirement allowance, as determined by the Board of
16 Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the
17 Board of Trustees. Creditable service purchased under this subsection shall not exceed a total of
18 five years. Notwithstanding the foregoing provisions of this subsection that provide for the
19 purchase of service credits, the terms "full cost," "full liability," and "full actuarial cost" include
20 assumed annual post-retirement allowance increases, as determined by the Board of Trustees, from
21 the earliest age at which a member could retire on an unreduced service allowance."

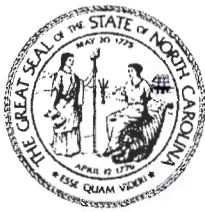
22 **SECTION 2.** G.S. 128-26 is amended by adding a new subsection to read:

23 "(z) Credit at Full Cost for Peace Corps Volunteer Service. – Notwithstanding any other
24 provisions of this Chapter, a member, upon completion of five years of membership service, may
25 purchase creditable service for periods of service as a Peace Corps volunteer or volunteer leader.
26 The member shall purchase this service by making a lump sum amount payable to the Annuity
27 Savings Fund equal to the full liability of the service credits calculated on the basis of the
28 assumptions used for purposes of the actuarial valuation of the liabilities of the Retirement
29 System; and the calculation of the amount payable shall take into account the retirement allowance
30 arising on account of the additional service credit commencing at the earliest age at which the
31 member could retire on an unreduced retirement allowance, as determined by the Board of
32 Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the
33 Board of Trustees. Creditable service purchased under this subsection shall not exceed a total of
34 five years. Notwithstanding the foregoing provisions of this subsection that provide for the
35 purchase of service credits, the terms "full cost," "full liability," and "full actuarial cost" include



1 assumed annual post-retirement allowance increases, as determined by the Board of Trustees, from
2 the earliest age at which a member could retire on an unreduced service allowance."

3 **SECTION 3.** This act becomes effective July 1, 2016.



HOUSE BILL 1135: Retirement Credits for Peace Corps Service.

2016-2017 General Assembly

Committee:	House Pensions and Retirement	Date:	May 27, 2016
Introduced by:	Reps. Meyer, Horn, G. Martin, Hardister	Prepared by:	Tawanda N. Foster
Analysis of:	First Edition		Committee Co-Counsel

SUMMARY: *House Bill 1135 would allow for the purchase of creditable service in the state retirement systems at full cost for Peace Corps volunteer service.*

CURRENT LAW: G.S. 135-4 provides the standards for the calculation of creditable service for use by the Teachers' and State Employees Retirement System. G.S. 128-26 provides the standards for allowances for service for retirement purposes for county, city, and town employees.

BILL ANALYSIS: The bill adds a new sub-section to allow teacher and state employee members of the retirement system who have served as Peace Corps volunteers to purchase up to five years of creditable service by making a lump sum payment to the Annuity Savings Fund. The member must have completed at least five years in the retirement system to qualify under this sub-section.

The bill also allows county, city, and town employee members of the retirement system who have served as Peace Corps volunteers to purchase up to five years of creditable service by making a lump sum payment to the Annuity Savings Fund. The member must have completed at least five years in the retirement system to qualify under this sub-section.

EFFECTIVE DATE: The bill would become effective July 1, 2016.

K Cochrane-Brown
Director



Legislative Analysis
Division
919-733-2578



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: House Bill 1135 (First Edition)

SHORT TITLE: Retirement Credits for Peace Corps Service.

SPONSOR(S): Representatives Meyer, Horn, G. Martin, and Hardister

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; local government funds

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS) and Local Governmental Employees' Retirement System (LGERS).

BILL SUMMARY: The bill amends G.S. 135-4 and G.S. 128-26 to allow purchase of creditable service in TSERS and LGERS for up to five years of Peace Corps volunteer service. Prior to making the purchase, the member must complete five years of membership service in TSERS or LGERS. The cost of the purchase is equal to the full liability for the service credits, calculated using the same assumptions used in the valuation except that the cost of the purchase assumes post-retirement cost-of-living increases.

EFFECTIVE DATE: July 1, 2016

ESTIMATED IMPACT ON STATE: Both Buck Consultants, the System's Actuary, and Hartman & Associates, the actuary for the General Assembly, estimate that the bill will have no material impact on the contribution rates or liabilities of any of the systems affected.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2014 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2014 unless otherwise noted, M = millions)		
	TSERS	LGERS
Active Members		
Count	307,313	123,184
General Fund Compensation	\$9,865M	
Valuation Compensation (Total)	\$13,737M	\$5,652M
Average Age	45	44
Average Service	10.7	10.3
Inactive Members		
Count	134,871	55,298
Retired Members		

Count	194,607	60,408
Annual Benefits	\$4,058M	\$1,109M
Average Age	70	68
New Retirees During 2015	11,400	4,100

Financial Statistics (as of 12/31/2014 unless otherwise noted, M = millions)		
	<u>TSERS</u>	<u>LGERS</u>
Accrued Liability (AL)	\$67,715M	Not meaningful
Actuarial Value of Assets (AVA)	\$64,734M	\$22,682M
Market Value of Assets (MVA)	\$64,587M	\$22,745M
Unfunded Accrued Liability (AL - AVA)	\$2,981M	Not meaningful
Funded Status (AVA / AL)	96%	Not meaningful
Annual Required Contribution (ARC) for FY 2016-17 (as % of pay)	9.48% (new assumptions)	7.25% (non-LEO)
Assumed Rate of Investment Return	7.25%	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 6.86%	3.50% - 6.71%
Cost Method	Entry Age Normal	Frozen Entry Age
Amortization	12 year, closed, flat \$	Not applicable
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015		

Benefit Provisions		
	<u>TSERS</u>	<u>LGERS</u>
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5
Employee contribution (as % of pay)	6%	6%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Retirement Credits for Peace Corp Service – House Bill 1135", May 24, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 1135: An Act to Allow for the Purchase of Credit in the State Retirement Systems at Full Cost for Peace Corps Volunteer Service", May 23, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide

APPROVED BY:

Mark Trogon, Director
Fiscal Research Division

DATE: May 27, 2016



Signed Copy Located in the NCGA Principal Clerk's Offices



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

2

HOUSE BILL 1088
Committee Substitute Favorable 6/15/16

Short Title: Allow Election Day Service - Retired LEOs.

(Public)

Sponsors:

Referred to:

May 11, 2016

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW RETIRED LAW ENFORCEMENT OFFICERS TO BE EMPLOYED BY
3 A COUNTY BOARD OF ELECTIONS FOR ELECTION DAY SERVICE WITHOUT
4 CAUSING THE SUSPENSION OF THE RETIRED OFFICERS' SPECIAL SEPARATION
5 ALLOWANCE.

6 The General Assembly of North Carolina enacts:

7 **SECTION 1.** G.S. 143-166.42 reads as rewritten:

8 **"§ 143-166.42. Special separation allowances for local officers.**

9 (a) On and after January 1, 1987, every sworn law enforcement officer as defined by
10 G.S. 128-21(11d) or G.S. 143-166.50(a)(3) employed by a local government employer who
11 qualifies under this section shall receive, beginning in the month in which the officer retires on a
12 basic service retirement under the provisions of G.S. 128-27(a), an annual separation allowance
13 equal to eighty-five hundredths percent (0.85%) of the annual equivalent of the base rate of
14 compensation most recently applicable to the officer for each year of creditable service. The
15 allowance shall be paid in equal installments on the payroll frequency used by the employer. To
16 qualify for the allowance, the officer shall:

17 (1) Have (i) completed 30 or more years of creditable service or (ii) have attained
18 55 years of age and completed five or more years of creditable service; and
19 (2) Not have attained 62 years of age; and
20 (3) Have completed at least five years of continuous service as a law enforcement
21 officer as herein defined immediately preceding a service retirement. Any break
22 in the continuous service required by this subsection because of disability
23 retirement or disability salary continuation benefits shall not adversely affect an
24 officer's qualification to receive the allowance, provided the officer returns to
25 service within 45 days after the disability benefits cease and is otherwise
26 qualified to receive the allowance.

27 (b) As used in this section, "creditable service" means the service for which credit is
28 allowed under the retirement system of which the officer is a member, provided that at least fifty
29 percent (50%) of the service is as a law enforcement officer as herein defined.

30 (c) Payment to a retired officer under the provisions of this section shall cease at the first
31 of:

32 (1) The death of the officer;
33 (2) The last day of the month in which the officer attains 62 years of age; or
34 (3) The first day of reemployment by a local government employer in any capacity.

35 (c1) Notwithstanding the provisions of ~~subdivision (3)~~ subdivision (c)(3) of this
36 ~~subsection, section,~~ a local government employer may employ retired officers in a ~~public safety~~



1 ~~position in a capacity not requiring participation in the Local Governmental Employees'~~
2 ~~Retirement System, any of the following capacities, and doing so shall not cause payment to cease~~
3 ~~to those officers under the provisions of this section.~~section:

4 (1) In a public safety position in a capacity not requiring participation in the Local
5 Governmental Employees' Retirement System.

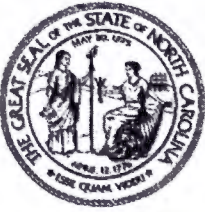
6 (2) In connection with election day service for the county board of elections.

7 (d) This section does not affect the benefits to which an individual may be entitled from
8 State, local, federal, or private retirement systems. The benefits payable under this section shall
9 not be subject to any increases in salary or retirement allowances that may be authorized by local
10 government employers or for retired employees of local governments.

11 (e) The governing body of each local employer shall determine the eligibility of
12 employees for the benefits provided herein.

13 (f) The governing body of each local employer shall make the payments set forth in
14 subsection (a) of this section to those persons certified under subsection (e) of this section from
15 funds available."

16 **SECTION 2.** This act is effective when it becomes law.



HOUSE BILL 1088: Allow Election Day Service - Retired LEOs.

2016-2017 General Assembly

Committee: House Pensions and Retirement
Introduced by: Reps. Fraley, Jones, R. Turner, Bradford
Analysis of: Second Edition

Date: June 20, 2016
Prepared by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 1088 authorizes retired law enforcement officers to work for a county board of elections in election day service, with no effect on their special separation allowance benefit.*

CURRENT LAW:

Retired local law enforcement officers who qualify are entitled to a special separation allowance benefit under G.S. 143-166.42. Currently, the separation allowance ceases on the first day the retired officer is reemployed by a local government, unless that retired officer is re-employed in a public safety position not requiring participation in the Local Government Employees' Retirement System.

G.S. 163-33 provides that the powers and duties of a county board of elections includes the appointment all chief judges, judges, assistants, and other officers of elections. G.S. 163-46 sets forth the amounts that are to be paid by the counties for the services of the chief judges, judges, assistants and ballot counters. For administering the election, chief judges, judges, and assistants are paid the State minimum wage for their services. For appearances on canvass day, chief judges receive \$20, and judges \$15. Each are paid \$15 for attending instructional meetings required under the law. The State minimum wage is \$6.15 per hour, as set by G.S. 95-25.3.

BILL ANALYSIS:

House Bill 1088 would allow a retired a law enforcement officer to be employed by a county board of elections in connection with any election day service, without impacting his or her special separation allowance benefit.

EFFECTIVE DATE: House Bill 1088 would become effective when it becomes law.

* Erika Churchill, staff to House Local Government, substantially contributed to this summary.

Karen Cochrane-Brown
Director



Legislative Analysis
Division
919-733-2578



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: House Bill 1088 (First Edition)

SHORT TITLE: Allow Election Day Service - Retired LEOs.

SPONSOR(S): Representatives Fraley, Jones, R. Turner, and Bradford

FUNDS AFFECTED: Local government funds

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System (LERS), Special Separation Allowance for Local Officers.

BILL SUMMARY: House Bill 1088 (First Edition) amends G.S. 143-166.42 concerning special separation allowances for local law-enforcement officers (LEOs), making organizational and clarifying changes and also adding language that allows a retired officer to be employed by county boards of elections in connection to Election Day service without suspending the retired officers' special separation allowance. The special separation allowance is a benefit of 0.85% of compensation times years of creditable service that is paid by the local government between unreduced retirement and age 62.

EFFECTIVE DATE: The bill is effective when it becomes law.

ESTIMATED IMPACT ON STATE:

Buck Consultants, the actuary for the Retirement Systems, notes that there is no data available which will allow an estimate of the potential number of individuals eligible to receive the allowance that might avail them of the employment opportunity, nor is there data available on the suspension of current separation allowances due to Election Day service. However, they estimate that the average monthly separation allowance for those whose monthly allowance is less than a month of employment at the N.C. minimum wage (\$7.25 per hour) is \$840, so they estimate that in the first year, the amount paid in separation allowances would increase by \$840 times the number of recipients performing Election Day service.

Hartman & Associates, the actuary for the General Assembly, estimates that the bill will have a negligible impact on the amount paid in special separation allowances.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2014 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2014 unless otherwise noted, M = millions)	
	<u>LGERS</u>
Active Members	
Count	123,184 (20,633 are LEOs)
General Fund Compensation	
Valuation Compensation (Total)	\$5,652M
Average Age	44
Average Service	10.3
Inactive Members	
Count	55,298
Retired Members	
Count	60,408 (9,238 were LEOs)
Annual Benefits	\$1,109M
Average Age	68
New Retirees During 2015	4,100

Financial Statistics (as of 12/31/2014 unless otherwise noted, M = millions)	
	<u>LGERS</u>
Accrued Liability (AL)	Not meaningful
Actuarial Value of Assets (AVA)	\$22,682M
Market Value of Assets (MVA)	\$22,745M
Unfunded Accrued Liability (AL - AVA)	Not meaningful
Funded Status (AVA / AL)	Not meaningful
Annual Required Contribution (ARC) for FY 2016-17 (as % of pay)	7.25% (non-LEO)
Assumed Rate of Investment Return	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 6.71%
Cost Method	Frozen Entry Age
Amortization	Not applicable
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015	

Benefit Provisions	
	<u>LGERS</u>
Formula	1.85% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5
Employee contribution (as % of pay)	6%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Allow Election Day Service – Retired LEOs – House Bill 1088", June 7, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 1088: An Act to Allow Retired Law Enforcement Officers to be Employed For Election Day Service Without Causing Suspension of the Separation Allowance", June 3, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide

APPROVED BY:

Mark Trogon, Director
Fiscal Research Division

DATE: June 8, 2016



Signed Copy Located in the NCGA Principal Clerk's Offices



Committee Sergeants at Arms

NAME OF COMMITTEE Pensions & Retirement

DATE: 6/21 Room: 415

House Sgt-At Arms:

1. Name: DAVID Linthum
2. Name: JONAS CHERRY
3. Name: BILL Riley
4. Name: BARRY MOORE
5. Name: _____

Senate Sgt-At Arms:

1. Name: _____
2. Name: _____
3. Name: _____
4. Name: _____
5. Name: _____

HOUSE PAGES

(Pensions & Retirement)

Week of June 20-23, 2016

Name:	County:	Sponsor:
JOHN WALLACE	WAKE	REP. SALMON
LILLIAN NGUYEN	MECKLENBURG	REP. ALEXANDER
AVERY ROGERS	BURKE	REP. BLACKWELL
ALLISON WHITMIRE	TRANSYLVANIA	REP. WHITMIRE



VISITOR REGISTRATION SHEET

House Pensions & Retirement

June 21, 2016

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Madeline Baker	SEANC
Mary Garbowski	SMITH HEALING PLAN
Chris Broughton	MWC
Larry Presnell Jr.	NCRSP
Sam W. Harts	DST
Starnes	OST
Solori	OST
SOLARI	DST
Rose Williams	NCLM
Bree Zamora	USMC



Guest Speaker Signup

Committee Pensions & Retirements Date 6-21-16

1. Loren Hintz 1135.
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____



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House Committee on Pensions and Retirement
Thursday, June 30, 2016 at 8:30 AM
Room 415 of the Legislative Office Building

MINUTES

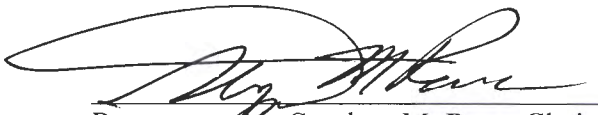
The House Committee on Pensions and Retirement met at 8:30 AM on June 30, 2016 in Room 415 of the Legislative Office Building. Representatives Bishop, Elmore, Gill, Holley, Hurley, Lambeth, Langdon, McNeill, Michaux, Ross, and Waddell attended.

Representative Stephen M. Ross, Chair, presided.

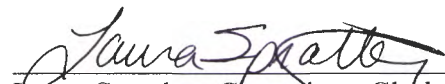
The following bills were considered:

Representative McNeill presented **SB 886 Retirement Amendments** on behalf of Senators Wells and Apodaca. A proposed committee substitute was presented to the committee. Representative Langdon motioned to have the committee substitute heard. Representative Michaux asked a question regarding section 4 of the bill which was answered by Sam Watts of the Treasurer's office. Tim Bradley of the North Carolina State Fireman Association spoke from the public in favor of the bill. Representative Waddell motioned for a favorable report to the proposed committee substitute, unfavorable to the original bill and the bill was passed by the committee.

The meeting adjourned at 9:00am.



Representative Stephen M. Ross, Chair
Presiding



Laura Spratley, Committee Clerk



**House Committee on Pensions and Retirement
Wednesday, June 29, 2016, 8:30 AM
415 Legislative Office Building**

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

BILL NO.	SHORT TITLE	SPONSOR
SB 886	Retirement Amendments.	Senator Wells Senator Apodaca

Presentations

Other Business

Adjournment



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

**PENSIONS AND RETIREMENT COMMITTEE REPORT
Representative Allen McNeill, Co-Chair
Representative Stephen M. Ross, Co-Chair**

FAVORABLE HOUSE COM SUB, UNFAVORABLE SENATE COM SUB

SB 886 (CS#1)

Retirement Amendments.

Draft Number:	S886-PCS15404-SH-80
Serial Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes
Floor Manager:	McNeill

TOTAL REPORTED: 1



* C M R 8 3 4 - V - 1 *



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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D

SENATE BILL 886
Pensions & Retirement and Aging Committee Substitute Adopted 6/24/16
Third Edition Engrossed 6/27/16
PROPOSED HOUSE COMMITTEE SUBSTITUTE S886-CSSH-80 [v.3]
06/29/2016 08:52:39 PM

Short Title: Retirement Amendments.

(Public)

Sponsors:

Referred to:

May 23, 2016

1 A BILL TO BE ENTITLED
2 AN ACT TO HONOR CAPTAIN BRADLEY LONG AND ALL FUTURE FIREFIGHTERS
3 AND RESCUE SQUAD WORKERS KILLED IN THE LINE OF DUTY BY AMENDING
4 THE NC FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION FUND TO
5 PROVIDE A SURVIVORSHIP BENEFIT FOR MEMBERS KILLED IN THE LINE OF
6 DUTY; TO CONSOLIDATE PUBLIC RECORDS LAWS RELATING TO RETIREMENT;
7 AND TO MAKE OTHER RETIREMENT AND ADMINISTRATIVE CHANGES.

8 The General Assembly of North Carolina enacts:

9 SECTION 1.(a) G.S. 58-86-2 is amended by adding a new subdivision to read:
10 "(9a) "Killed in the line of duty" has the same meaning as in G.S. 143-166.2(c)."

11 SECTION 1.(b) G.S. 58-86-55 is amended by adding a new subsection to read:

12 "(d1) Benefits shall be paid in the following manner when a member is killed in the line of
13 duty and the requirements of Article 12A of Chapter 143 of the General Statutes are met:

14 (1) If the member had been receiving a monthly pension fund benefit prior to being
15 killed in the line of duty, there shall be paid to the member's principal
16 beneficiary, if only one principal beneficiary is eligible, an amount of one
17 hundred seventy dollars (\$170.00) per month beginning the month following
18 the member's month of death, payable until the beneficiary's death.

19 (2) If the member had been receiving a monthly pension fund benefit prior to being
20 killed in the line of duty and the beneficiary is not payable as described in
21 subdivision (1) of this subsection, a lump sum payment equal to the difference
22 between the amount paid into the member's separate account by or on behalf of
23 the member and the amount received by the member as a pensioner will be paid
24 to the eligible beneficiaries, or if there are no eligible beneficiaries, shall be
25 paid to the member's estate.

26 (3) If the member had not yet begun receiving a monthly benefit prior to being
27 killed in the line of duty, there shall be paid to the member's principal
28 beneficiary, if only one principal beneficiary is eligible, an amount of one
29 hundred seventy dollars (\$170.00) per month beginning the month following
30 the month the member would have attained age 55, or if the member had
31 already attained age 55, beginning the month following the member's month of
32 death, payable until the beneficiary's death.

33 (4) If the member had not begun receiving a monthly benefit prior to being killed
34 in the line of duty and the beneficiary is not payable as described in subdivision



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(3) of this subsection, a lump sum payment equal to the member's contributions will be paid to the eligible beneficiaries, or if there are no eligible beneficiaries, a return of the contributions shall be paid to the member's estate.

A beneficiary under this subsection shall not be required to make the monthly payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40 after the member has been killed in the line of duty."

SECTION 1.(c) G.S. 58-86-60 reads as rewritten:

"§ 58-86-60. Payments in lump sums.

The board shall direct payment in lump sums from the fund in the following cases:

- (1) To any firefighter or rescue squad worker upon the attaining of the age of 55 years, who, for any reason, is not qualified to receive the monthly retirement pension and who was enrolled as a member of the fund, an amount equal to the amount paid into the fund by him. This provision shall not be construed to preclude any active firefighter or rescue squad worker from completing the requisite number of years of active service after attaining the age of 55 years necessary to entitle the firefighter or rescue squad worker to the pension.
- (2) If any firefighter or rescue squad worker ~~dies~~dies, ~~except if the individual is killed in the line of duty~~, before attaining the age at which a pension is payable to the firefighter or rescue squad worker under the provisions of this Article, there shall be paid ~~to his or her surviving spouse, or if there be no surviving spouse, to the person responsible for his or her child or children, or if there be no surviving spouse or children, then to his or her heirs at law as may be determined by the board or to his or her estate, if it is administered and there are no heirs,~~ to the person or persons designated by the member, or if the member has not designated a beneficiary, to the surviving spouse of the deceased member, or if not survived by a designated beneficiary or spouse, to the deceased member's legal representative, an amount equal to the amount paid into the member's separate account by or on behalf of the said firefighter or rescue squad worker.
- (3) If any firefighter or rescue squad worker ~~dies~~dies, ~~except if the individual is killed in the line of duty~~, after beginning to receive the pension payable to the firefighter or rescue squad worker by this Article, and before receiving an amount equal to the amount paid into the fund by him or her, there shall be paid ~~to his or her surviving spouse, or if there be no surviving spouse, then to the person responsible for his or her child or children, or if there be no surviving spouse or children, then to his or her heirs at law as may be determined by the board or to his or her estate, if it is administered and there are no heirs,~~ to the person or persons designated by the member, or if the member has not designated a beneficiary, to the surviving spouse of the deceased retired member, or if not survived by a designated beneficiary or spouse, to the deceased retired member's legal representative, an amount equal to the difference between the amount paid into the member's separate account by or on behalf of the said firefighter or rescue squad worker and the amount received by him or her as a pensioner.
- (4) Any member who withdraws from the fund shall, upon proper application, be paid all moneys without accumulated earnings on the payments after the time they were made. A member may not purchase time under G.S. 58-86-45 for which he or she has received a refund."

SECTION 1.(d) G.S. 58-86-55 is amended by adding a new subsection to read:

"(d2) Benefits shall be paid in the following manner when a member is killed in the line of duty and the requirements of Article 12A of Chapter 143 of the General Statutes are met:

- (1) If the member had been receiving a monthly pension fund benefit prior to being killed in the line of duty, there shall be paid to the member's spouse an amount of one hundred seventy dollars (\$170.00) per month beginning the month following the member's month of death, payable until the spouse's death.
- (2) If the member had been receiving a monthly pension fund benefit prior to being killed in the line of duty and the spouse is not payable as described in subdivision (1) of this subsection, a lump sum payment equal to the difference between the amount paid into the member's separate account by or on behalf of the member and the amount received by the member as a pensioner will be paid to the member's estate.
- (3) If the member had not yet begun receiving a monthly benefit prior to being killed in the line of duty, there shall be paid to the member's spouse an amount of one hundred seventy dollars (\$170.00) per month beginning the month following the month the member would have attained age 55, or if the member had already attained age 55, beginning the month following the member's month of death, payable until the spouse's death.
- (4) If the member had not begun receiving a monthly benefit prior to being killed in the line of duty and the spouse is not payable as described in subdivision (3) of this subsection, a lump sum payment equal to the member's contributions will be paid to the eligible beneficiaries, or if there are no eligible beneficiaries, a return of the contributions shall be paid to the member's estate.

A beneficiary under this subsection shall not be required to make the monthly payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40 after the member has been killed in the line of duty."

SECTION 1.(e) Section 1(a) and 1(d) become effective June 1, 2016, and apply to benefits paid when a member is killed in the line of duty on or after June 1, 2016, but before July 1, 2018. Section 1(e) becomes effective June 1, 2016. Section 1(b) and 1(c) become effective July 1, 2018, and apply to benefits paid when a member is killed in the line of duty on or after that date.

SECTION 1.(f) G.S. 58-86-55(d2) is repealed July 1, 2018.

SECTION 2.(a) The February 5, 2008, Attorney General's advisory opinion entitled "Advisory Opinion: Confidentiality of Retirement Benefit Information; Session Law 2007-508" concluded that information about retirement benefits was intended to be included among those records required to be maintained for public inspection by each department, agency, institution, commission, and bureau of the State and that as a result the Retirement Systems Division of the Department of the State Treasurer makes that information available for public inspection and examination. The General Assembly finds that the interests of clarity require statutory language providing guidance to the Retirement Systems Division in determining and maintaining consistency as to what information should be made available about the retirement accounts of State and local employees.

SECTION 2.(b) Article 1 of Chapter 135 of the General Statutes is amended by adding a new section to read:

"§ 135-6.1. Member retirement record files held by the Retirement System.

(a) The following definitions apply in this section:

- (1) Employment-related information. – As defined in G.S. 126-22(b)(3).
- (2) Personal information. – As defined in G.S. 126-22(b)(3).
- (3) Retirement file. – Any employment-related, retirement-related, or personal information of members in a State-administered retirement plan gathered by the Retirement Systems Division of the Department of State Treasurer.
- (4) Retirement-related information. – Information including membership and service details, benefit payment information, and other information the

1 Retirement Systems Division of the Department of State Treasurer deems
2 necessary to administer a retirement plan.

3 (b) Member retirement files are not subject to inspection and examination as authorized by
4 G.S. 132-6 except as provided in G.S. 135-6(p), G.S. 128-28(q), and subsections (c), (d), and (e)
5 of this section.

6 (c) The following information regarding members and individuals in receipt of a recurring
7 monthly benefit, if held by the Retirement System, is public and subject to subsection (d) of this
8 section:

9 (1) Name.

10 (2) Age.

11 (3) Date of membership in the applicable Retirement System, first service earned
12 date, date of first enrollment, date of first employment, and date of retirement.

13 (4) The terms of any contract by which the member is employed whether written or
14 oral, past and current, to the extent that the Retirement System has the written
15 contract or a record of the oral contract in its possession.

16 (5) Current or most recently held position or title.

17 (6) Compensation and other relevant remuneration history and benefits paid.

18 (7) Date, general description, and type of each change and the corresponding
19 employing agency.

20 (8) The office or station to which the member is currently assigned, if any.

21 (9) The record of benefit payments made by one of the Retirement Systems or
22 Disability Benefits Programs administered by the Department of State
23 Treasurer to a member or to the survivor, beneficiary, or alternate payee of a
24 member.

25 (10) Purchases of educational leave.

26 (d) Subject only to rules and policies for the safekeeping of member retirement files
27 adopted by the Board of Trustees, every person having custody of the retirement file information
28 outlined in subsection (b) of this section shall permit the information to be inspected and examined
29 and copies thereof made by any person during regular business hours. Any person who is denied
30 access to any retirement file for the purpose of inspecting, examining, or copying the file has a
31 right to compel compliance with the provisions of this section by application to a court of
32 competent jurisdiction for a writ of mandamus or other appropriate relief.

33 (e) The Retirement Systems Division of the Department of State Treasurer may disclose
34 the name and mailing address of former State employees, former public school employees, or
35 former community college employees to domiciled, nonprofit organizations representing 10,000
36 or more retired State government, local government, or public school employees.

37 (f) All information other than the information listed in subsection (c) of this section
38 contained in a retirement file is confidential and not open for inspection and examination except to
39 the following persons:

40 (1) The member, or the member's authorized agent, who may examine his or her
41 own retirement file, except for any information concerning a medical disability,
42 mental or physical, that a prudent physician would not divulge to a patient. A
43 member's medical record may be disclosed to a licensed physician in writing by
44 the member.

45 (2) A member of the General Assembly who may inspect and examine records
46 under the authority of G.S. 120-19.

47 (3) A party by authority of a proper court order may inspect and examine a
48 particular confidential portion of a member's retirement file.

49 (g) Any public official or employee who knowingly and willfully permits any person to
50 have access to or custody or possession of any portion of a retirement file designated as
51 confidential by this section, unless the person is one specifically authorized by this section to have

access thereto for inspection and examination, is guilty of a Class 3 misdemeanor and upon conviction shall only be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00).

(h) Any person not specifically authorized by this section to have access to a retirement file designated as confidential by this section, who knowingly and willfully examines, removes, or copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon conviction shall be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00)."

SECTION 2.(c) Article 3 of Chapter 128 of the General Statutes is amended by adding a new section to read:

"§ 128-33.1. Public records held by the Retirement System.

(a) The following definitions apply in this section:

(1) Employment-related information. – As defined in G.S. 126-22(b)(3).

(2) Personal information. – As defined in G.S. 126-22(b)(3).

(3) Retirement file. – Any employment-related, retirement-related, or personal information of members in a State-administered retirement plan gathered by the Retirement Systems Division of the Department of State Treasurer.

(4) Retirement-related information. – Information including membership and service details, benefit payment information, and other information the Retirement Systems Division of the Department of State Treasurer deems necessary to administer a retirement plan.

(b) Member retirement files are not subject to inspection and examination as authorized by G.S. 132-6 except as provided in G.S. 135-6(p), G.S. 128-28(q), and subsections (c), (d), and (e) of this section.

(c) The following information regarding members and individuals in receipt of a recurring monthly benefit, if held by the Retirement System, is public subject to subsection (d) of this section:

(1) Name.

(2) Age.

(3) Date of membership in the applicable Retirement System, first service earned date, date of first enrollment, date of first employment, and date of retirement.

(4) The terms of any contract by which the member is employed whether written or oral, past and current, to the extent that the Retirement System has the written contract or a record of the oral contract in its possession.

(5) Current or most recently held position or title.

(6) Compensation and other relevant remuneration history and benefits paid.

(7) Date, general description, and type of each change and the corresponding employing agency.

(8) The office or station to which the member is currently assigned, if any.

(9) The record of benefit payments made by one of the Retirement Systems or Disability Benefits Programs administered by the Department of State Treasurer to a member or to the survivor, beneficiary, or alternate payee of a member.

(10) Purchases of educational leave.

(d) Subject only to rules and policies for the safekeeping of member retirement files adopted by the Board of Trustees, every person having custody of the retirement file information outlined in subsection (b) of this section shall permit the information to be inspected and examined and copies thereof made by any person during regular business hours. Any person who is denied access to any retirement file for the purpose of inspecting, examining, or copying the file has a right to compel compliance with the provisions of this section by application to a court of competent jurisdiction for a writ of mandamus or other appropriate relief.

(e) The Retirement Systems Division of the Department of State Treasurer may disclose the name and mailing address of former State employees, former public school employees, or former community college employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees.

(f) All information other than the information listed in subsection (c) of this section contained in a retirement file is confidential and not open for inspection and examination except to the following persons:

(1) The member, or the member's authorized agent, who may examine his or her own retirement file, except for any information concerning a medical disability, mental or physical, that a prudent physician would not divulge to a patient. A member's medical record may be disclosed to a licensed physician in writing by the member.

(2) A member of the General Assembly who may inspect and examine records under the authority of G.S. 120-19.

(3) A party by authority of a proper court order may inspect and examine a particular confidential portion of a member's retirement file.

(g) Any public official or employee who knowingly and willfully permits any person to have access to or custody or possession of any portion of a retirement file designated as confidential by this section, unless the person is one specifically authorized by this section to have access thereto for inspection and examination, is guilty of a Class 3 misdemeanor and upon conviction shall only be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00).

(h) Any person not specifically authorized by this section to have access to a retirement file designated as confidential by this section, who knowingly and willfully examines, removes, or copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon conviction shall be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00)."

SECTION 2.(d) G.S. 126-22 reads as rewritten:

"§ 126-22. Personnel files not subject to inspection under § 132-6.

(a) Except as provided in G.S. 126-23 and G.S. 126-24, personnel files of State employees shall not be subject to inspection and examination as authorized by G.S. 132-6.

(b) For purposes of this Article the following definitions apply:

(1) "Employee" means any current State employee, former State employee, or applicant for State employment.

(2) "Employer" means any State department, university, division, bureau, commission, council, or other agency subject to Article 7 of this Chapter.

(3) "Personnel file" means any employment-related or personal information gathered by an ~~employer, the Retirement Systems Division of the Department of State Treasurer, employer~~ or by the Office of State Human Resources. Employment-related information contained in a personnel file includes information related to an individual's application, selection, promotion, demotion, transfer, leave, salary, contract for employment, benefits, suspension, performance evaluation, disciplinary actions, and termination. Personal information contained in a personnel file includes an individual's home address, social security number, medical history, personal financial data, marital status, dependents, and beneficiaries.

(4) "Record" means the personnel information that each employer is required to maintain in accordance with G.S. 126-23.

(c) Personnel files of former State employees who have been separated from State employment for 10 or more years may be open to inspection and examination except for papers and documents relating to demotions and to disciplinary actions resulting in the dismissal of the

1 ~~employee and personnel files maintained by the Retirement Systems Division of the Department~~
2 ~~of State Treasurer-employee. Retirement files maintained by the Retirement Systems Division of~~
3 ~~the Department of State Treasurer shall be made public pursuant to G.S. 128-33.1 and~~
4 ~~G.S. 135-6.1.~~

5 ~~(d) Notwithstanding any provision of this section to the contrary, the Retirement Systems~~
6 ~~Division of the Department of State Treasurer may disclose the name and mailing address of~~
7 ~~former State employees to domiciled, nonprofit organizations representing 10,000 or more retired~~
8 ~~State government, local government, or public school employees."~~

9 SECTION 2.(e) G.S. 115C-321(b1) is repealed.

10 SECTION 2.(f) G.S. 115D-29(c) is repealed.

11 SECTION 2.(g) G.S. 153A-98(c3) is repealed.

12 SECTION 2.(h) G.S. 160A-168(c3) is repealed.

13 SECTION 3.(a) G.S. 135-10.1 reads as rewritten:

14 **"§ 135-10.1. Failure to respond.**

15 If a member fails to respond within 120 days after preliminary option figures and the Form 6-E
16 or Form 7-E are ~~mailed,transmitted to the member,~~ or if a member fails to respond within 120
17 days after the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null
18 and void; the retirement system shall not be liable for any benefits due on account of the voided
19 application, and a new application must be filed establishing a subsequent effective date of
20 retirement. If an applicant for disability retirement fails to furnish requested additional medical
21 information within 90 days following such request, the application shall be declared null and void
22 under the same conditions outlined above, unless the applicant is eligible for early or service
23 retirement in which case the application shall be processed accordingly, using the same effective
24 date as would have been used had the application for disability retirement been approved. The
25 Director of the Retirement Systems Division, acting on behalf of the Board of Trustees, may
26 extend the 120-day limitation provided for in this section when a member has suffered
27 incapacitation such that a reasonable person would not have expected the member to be able to
28 complete the required paperwork within the regular deadline, or when an omission by the
29 Retirement Systems Division prevents the member from having sufficient time to meet the regular
30 deadline."

31 SECTION 3.(b) G.S. 128-32.1 reads as rewritten:

32 **"§ 128-32.1. Failure to respond.**

33 If a member fails to respond within 120 days after preliminary option figures and the Form 6-E
34 or Form 7-E are ~~mailed,transmitted to the member,~~ or if a member fails to respond within 120
35 days after the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null
36 and void; the retirement system shall not be liable for any benefits due on account of the voided
37 application, and a new application must be filed establishing a subsequent effective date of
38 retirement. If an applicant for disability retirement fails to furnish requested additional medical
39 information within 90 days following such request, the application shall be declared null and void
40 under the same conditions outlined above, unless the applicant is eligible for early or service
41 retirement in which case the application shall be processed accordingly, using the same effective
42 date as would have been used had the application for disability retirement been approved. The
43 Director of the Retirement Systems Division, acting on behalf of the Board of Trustees, may
44 extend the 120-day limitation provided for in this section when a member has suffered
45 incapacitation such that a reasonable person would not have expected the member to be able to
46 complete the required paperwork within the regular deadline, or when an omission by the
47 Retirement Systems Division prevents the member from having sufficient time to meet the regular
48 deadline."

49 SECTION 4. G.S. 147-79(a) reads as rewritten:

50 "(a) The amount of funds deposited by the State Treasurer in an official depository shall be
51 adequately secured by deposit insurance, surety bonds, letters of credit issued by a Federal Home

1 Loan Bank, or investment securities of such nature, in such amounts, and in such manner, as may
2 be prescribed by rule or regulation of the State Treasurer with the approval of the Governor and
3 Council of State. No security is required for the protection of funds remitted to and received by a
4 bank or trust company designated by the State Treasurer under G.S. 142-1 and acting as paying
5 agent for the payment of the principal of or interest on bonds or notes of the State."

6 **SECTION 5.** The Board of Trustees of the Local Governmental Employees'
7 Retirement System shall develop a "State Contribution Rate Stabilization Policy" for the North
8 Carolina Firefighters' and Rescue Squad Workers' Pension Fund and report it to the Office of State
9 Budget and Management and the Fiscal Research Division on or before March 1, 2017.

10 **SECTION 6.(a)** G.S. 135-6(b) reads as rewritten:

11 "(b) Membership of Board; Terms. – The Board shall consist of the following 13 members,
12 as follows:members:

13 (1) The State Treasurer, ~~ex officio;officio.~~

14 (2) The Superintendent of Public Instruction, ~~ex officio;officio.~~

15 (3) The Director of the Office of State Human Resources, ex officio.

16 ~~(3)(4) NineEight~~ members to be appointed by the Governor and confirmed by the
17 Senate of North Carolina. One of the appointive members shall be a member of
18 the teaching profession of the State; ~~one of the appointive members shall be a~~
19 ~~representative of higher education appointed by the Governor for a term of four~~
20 ~~years commencing July 1, 1969, and quadrennially thereafter;~~ one of the
21 appointive members shall be a retired teacher who is drawing a retirement
22 allowance, appointed by the Governor for a term of four years commencing
23 July 1, 1969, and quadrennially thereafter; one shall be a retired State employee
24 who is drawing a retirement allowance, appointed by the Governor for a term of
25 four years commencing July 1, 1977, and quadrennially thereafter; one to be a
26 general State employee, and two who are not members of the teaching
27 profession or State employees; two to be appointed for a term of two years, two
28 for a term of three years and one for a term of four years; one appointive
29 member shall be a law-enforcement officer employed by the State, appointed by
30 the Governor, for a term of four years commencing April 1, 1985. One member
31 shall be an active or retired member of the North Carolina National Guard
32 appointed by the Governor for a term of four years commencing July 1, 2013.
33 At the expiration of these terms of office the appointment shall be for a term of
34 four ~~years;years.~~

35 ~~(4)(5)~~ Two members appointed by the General Assembly, one appointed upon the
36 recommendation of the Speaker of the House of Representatives, and one
37 appointed upon the recommendation of the President Pro Tempore of the
38 Senate in accordance with G.S. 120-121. Neither of these members may be an
39 active or retired teacher or State employee or an employee of a unit of local
40 government. The initial members appointed by the General Assembly shall
41 serve for terms expiring June 30, 1983. Thereafter, their successors shall serve
42 for two-year terms beginning July 1 of odd-numbered years. Vacancies in
43 appointments made by the General Assembly shall be filled in accordance with
44 G.S. 120-122."

45 **SECTION 6.(b)** G.S. 135-6(g) reads as rewritten:

46 "(g) Officers and Other Employees; Salaries and Expenses. – The State Treasurer shall be
47 ~~ex officio chairmanchair~~ of the Board of Trustees. ~~The Board of Trustees shall, by a majority vote~~
48 ~~of all the members, appoint a director, who may be, but need not be, one of its members. The~~
49 ~~salary of the director of the Retirement System is subject to the provisions of Chapter 126 of the~~
50 ~~General Statutes of North Carolina. Trustees and shall appoint a director.~~ The Board of Trustees
51 shall engage such actuarial and other service as shall be required to transact the business of the

1 Retirement System. The compensation of all persons, other than the director, engaged by the
2 Board of Trustees, and all other expenses of the Board necessary for the operation of the
3 Retirement System, shall be paid at such rates and in such amounts as the Board of Trustees shall
4 approve, subject to the approval of the Director of the Budget."

5 **SECTION 6. (c)** G.S. 136-6(o) reads as rewritten:

6 "(o) On the basis of such tables and interest assumption rate as the Board of Trustees shall
7 adopt, the actuary shall make an annual valuation of the assets and liabilities of the funds of the
8 System created by this Chapter. The annual valuation shall include a supplementary section that
9 provides an analysis of assets on a market basis using the 30 year treasury rate as of December 31
10 of the year of the valuation as the discount rate."

11 **SECTION 6.(d)** G.S. 128-28(h) reads as rewritten:

12 "(h) Officers and Other Employees, Salaries and Expenses. – ~~The Board of Trustees shall~~
13 ~~elect from its membership a chairman, and shall, by a majority vote of all the members, appoint a~~
14 ~~director, who may be, but need not be, one of its members.~~ The State Treasurer shall be ex officio
15 chair of the Board of Trustees and shall appoint a director. The Board of Trustees shall engage
16 such actuarial and other service as shall be required to transact the business of the Retirement
17 System. The compensation of all persons engaged by the Board of Trustees, and all other expenses
18 of the Board necessary for the operation of the Retirement System, shall be paid at such rates and
19 in such amounts as the Board of Trustees shall approve."

20 **SECTION 6.(e)** G.S. 128-28(p) reads as rewritten:

21 "(p) On the basis of such tables and interest assumption rate as the Board of Trustees shall
22 adopt, the actuary shall make an annual valuation of the assets and liabilities of the funds of the
23 System created by this Chapter. The annual valuation shall include a supplementary section that
24 provides an analysis of assets on a market basis using the 30 year treasury rate as of December 31
25 of the year of the valuation as the discount rate."

26 **SECTION 7.(a)** G.S. 115C-341.2 reads as rewritten:

27 **"§ 115C-341.2. Department of State Treasurer sponsored 403(b) option.**

28 (a) In addition to the opportunities for local boards of education to offer section 403(b) of
29 the Internal Revenue Code of 1986 retirement annuities and/or mutual funds to their employees
30 under G.S. 115C-341, the Department of State Treasurer may establish an approved third-party
31 vendor of retirement offerings as described in section 403(b) of the Internal Revenue Code of
32 1986, as now and hereafter amended, pursuant to which employees of local school boards may
33 enter into nonforfeitable 403(b) plan options by way of salary reduction through the auspices of
34 the Department of State Treasurer. This statewide plan of 403(b) offerings shall be known as the
35 "North Carolina Public School Teachers' and Professional Educators' Investment Plan." The
36 vendor authorized under this section shall be selected by use of State Supplemental Retirement
37 Board of Trustees procurement procedures, procedures under Article 5 of Chapter 135 of the
38 General Statutes, with the goal of attaining lower administrative fees and enhanced services for
39 participants and employer compliance with applicable law and regulations. Eligible employees of
40 local school boards shall all be allowed to use this vendor for the tax-deferred 403(b) option of
41 their choice.

42 (b) The criteria in this subsection apply to the Department of State Treasurer's 403(b)
43 offerings to employees of local school boards under this section.

44 (1) Annuity contracts, trust accounts, and/or custodial accounts shall be
45 administered by a qualified third-party administrator that shall, under written
46 agreement with the Department of State Treasurer, provide custodial,
47 record-keeping, and administrative services. The third-party administrator may
48 also be the selected vendor for the North Carolina Public School Teachers' and
49 Professional Educators' Investment Plan.

For employers choosing to participate in the North Carolina Public School Teachers' and Professional Educators' Investment Plan, the third-party administrator shall, at a minimum, provide the following:

- a. Maintain a written plan document.
- b. Review hardship withdrawal requests, loan requests, and other disbursements permitted under section 403(b) of the Internal Revenue Code of 1986.
- c. Maintain specimen salary reduction agreements for the employer and employees of that employer to initiate payroll deferrals.
- d. Monitor maximum contributions.
- e. Coordinate responses to the Internal Revenue Service in any case of an IRS audit.
- f. Generate educational communication materials to employees concerning the enrollment process, program eligibility, and investment options.
- g. Maintain internal reports to ensure compliance with Section 403(b) of the Internal Revenue Code and Title 26 of the Code of Federal Regulations.
- h. Provide compliance monitoring/oversight for all 403(b) plans established under G.S. 115C-341 within each participating local board of education plan by creating and establishing the necessary connections and processes with existing and future vendors.
- i. Keep an updated schedule of vendor fees and commissions as to the Department's statewide ~~plan~~ plan of 403(b) offerings.

(2) Governance and oversight of the North Carolina Public School Teachers' and Professional Educators' Investment Plan will be performed under Article 5 of Chapter 135 of the General Statutes by the Department of State Treasurer and the Supplemental Retirement Board of Trustees for the North Carolina Supplemental Retirement Plans established pursuant to G.S. 135-96. Because of the administrative and record-keeping duties enumerated in subdivision (1) of this subsection, any existing vendor of a 403(b) with a participating employer must either agree to share data with the State's 403(b) vendor under this provision (so as to permit oversight over contribution limits, loans, and hardship withdrawals) or be directed by the participating employer to cease accepting new contributions, loans, and hardship withdrawals.

(3) Investment options shall be solely determined by the Department of State Treasurer and the Supplemental Retirement Board of Trustees for the North Carolina Supplemental Retirement Plans consistent with section 403(b) of the Internal Revenue Code of 1986, as amended.

(4) Investment staff of the Department of State Treasurer may make recommendations to the State Treasurer and the Supplemental Retirement Board of Trustees for the North Carolina Supplemental Retirement Plans as to appropriate investment options. The Pursuant to G.S. 135-96, the State Treasurer and Board of Trustees shall have sole responsibility for the selection of the vendor, third-party administrator, providers of investment options, and any other service provider for the North Carolina Public School Teachers' and Professional Educators' Investment Plan.

(5) All contributions made in accordance with the provisions of section 403(b) of the Internal Revenue Code of 1986, as amended, and this section shall be remitted directly to the administrator and held by the administrator in a custodial account on behalf of each participating employee. Any investment gains or losses shall be credited to those accounts. The forms of payment and

disbursement procedures shall be consistent with those generally offered by similar annuity contracts, trust accounts, and custodial accounts and applicable federal and State statutes governing those contracts and accounts.

(6) Any local board of education may elect to make contributions to the employee's account on behalf of the employee. The employer shall take whatever action is necessary to implement this section.

(7) The design and administration of annuity contracts, trust accounts, and custodial accounts under this provision shall comply with all applicable provisions of the Internal Revenue Code of 1986, as amended."

SECTION 7.(b) G.S. 115D-25.4(b) reads as rewritten:

"(b) The criteria in this subsection apply to the Department of State Treasurer's 403(b) offerings to employees of local boards of trustees under this section:

(1) Annuity contracts, trust accounts, and/or custodial accounts shall be administered by a qualified third-party administrator that shall, under written agreement with the Department of State Treasurer, provide custodial, record-keeping, and administrative services. The third-party administrator may also be the selected vendor for the North Carolina Public School Teachers' and Professional Educators' Investment Plan.

For local boards of trustees as employers choosing to participate in the North Carolina Public School Teachers' and Professional Educators' Investment Plan, the third-party administrator shall, at a minimum, provide the following:

- a. Maintain a written plan document.
- b. Review hardship withdrawal requests, loan requests, and other disbursements permitted under section 403(b) of the Internal Revenue Code of 1986.
- c. Maintain specimen salary reduction agreements for the employer and employees of that employer to initiate payroll deferrals.
- d. Monitor maximum contributions.
- e. Coordinate responses to the Internal Revenue Service in any case of an IRS audit.
- f. Generate educational communication materials to employees concerning the enrollment process, program eligibility, and investment options.
- g. Maintain internal reports to ensure compliance with section 403(b) of the Internal Revenue Code and Title 26 of the Code of Federal Regulations.
- h. Provide compliance monitoring/oversight for all 403(b) plans established under G.S. 115D-25 within each participating local board of trustees plan by creating and establishing the necessary connections and processes with existing and future vendors.
- i. Keep an updated schedule of vendor fees and commissions as to the Department's statewide ~~plan~~ plan of 403(b) offerings.

(2) Governance and oversight of the North Carolina Public School Teachers' and Professional Educators' Investment Plan will be performed under Article 5 of Chapter 135 of the General Statutes by the Department of State Treasurer and the Supplemental Retirement Board of Trustees for the North Carolina Supplemental Retirement Plans established pursuant to G.S. 135-96. Because of the administrative and record-keeping duties enumerated in subdivision (1) of this subsection, any existing vendor of a 403(b) with a participating employer must either agree to share data with the State's 403(b) vendor under this provision (so as to permit oversight over contribution limits, loans, and

- 1 hardship withdrawals) or be directed by the participating employer to cease
2 accepting new contributions, loans, and hardship withdrawals.
- 3 (3) Investment options shall be solely determined by the Department of State
4 Treasurer and the Supplemental Retirement Board of Trustees for the North
5 Carolina Supplemental Retirement Plans consistent with section 403(b) of the
6 Internal Revenue Code of 1986, as amended.
- 7 (4) Investment staff of the Department of State Treasurer may make
8 recommendations to the State Treasurer and the Supplemental Retirement
9 Board of Trustees for the North Carolina Supplemental Retirement Plans as to
10 appropriate investment options. The Pursuant to G.S. 135-96, the State
11 Treasurer and Board of Trustees shall have sole responsibility for the selection
12 of the vendor, third-party administrator, providers of investment options, and
13 any other service provider for the North Carolina Public School Teachers' and
14 Professional Educators' Investment Plan.
- 15 (5) All contributions made in accordance with the provisions of section 403(b) of
16 the Internal Revenue Code of 1986, as amended, and this section shall be
17 remitted directly to the administrator and held by the administrator in a
18 custodial account on behalf of each participating employee. Any investment
19 gains or losses shall be credited to those accounts. The forms of payment and
20 disbursement procedures shall be consistent with those generally offered by
21 similar annuity contracts, trust accounts, and custodial accounts and applicable
22 federal and State statutes governing those contracts and accounts.
- 23 (6) Any local board of trustees may elect to make contributions to the employee's
24 account on behalf of the employee. The local board of trustees shall take
25 whatever action is necessary to implement this section.
- 26 (7) The design and administration of annuity contracts, trust accounts, and
27 custodial accounts under this provision shall comply with all applicable
28 provisions of the Internal Revenue Code of 1986, as amended."

29 **SECTION 8.** G.S. 135-109 reads as rewritten:

30 **"§ 135-109. Reports of earnings.**

31 The Department of State Treasurer and Board of Trustees ~~shall~~ may require each beneficiary to
32 annually provide a statement of the beneficiary's income received as compensation for services,
33 including fees, commissions, or similar items, income received from business, and benefits
34 received from the Social Security Administration, the federal Veterans Administration, any other
35 federal agency, under the North Carolina Workers' Compensation Act, or under the provisions of
36 G.S. 127A-108. The benefit payable to a beneficiary who does not or refuses to provide the
37 information requested within ~~60~~ 120 days after such request ~~shall not be paid a benefit may be~~
38 suspended until the information so requested is provided, and should such refusal or failure to
39 provide such information continue for ~~240~~ 180 days after such request the right of a beneficiary to
40 a benefit under the Article may be terminated."

41 **SECTION 9.** If any provision of this act or its application is held invalid, the
42 invalidity does not affect other provisions or applications of this act that can be given effect
43 without the invalid provisions or application, and to this end the provisions of this act are
44 severable.

45 **SECTION 10.** Except as otherwise provided, this act is effective when it becomes
46 law.



SENATE BILL 886: Retirement Amendments.

2016-2017 General Assembly

Committee: House Pensions and Retirement
Introduced by: Sens. Wells, Apodaca
Analysis of: PCS to Third Edition
S886-CSSH-80

Date: June 29, 2016
Prepared by: Theresa Matula
Committee Staff

SUMMARY: *The PCS for Senate Bill 886 does the following: 1) honors firefighter Captain Bradley Long, who was killed in the line of duty; 2) adds language providing survivorship benefits for a member killed in the line of duty for the NC Firefighters' and Rescue Squad Workers' Pension Fund; 3) clarifies the retirement information that is subject to the Public Records Law; 4) allows certain forms to be transmitted electronically to Teachers' and State Employees' Retirement System (TSERS) members and Local Governmental Employees' Retirement System (LGERS) members; 5) allows letters of credit issued by a Federal Home Loan Bank to be used to collateralize deposits; 6) requires the LGERS Board of Trustees to develop a State Contribution Rate Stabilization Policy for the NC Firefighters' and Rescue Squad Workers' Pension Fund; 7) adds the Director of the Office of State Human Resources as an ex officio member of the TSERS Board of Trustees, replacing a representative of higher education, provides for the TSERS and LGERS that the State Treasurer is the ex officio chair of the Board and has authority to appoint the director of the Retirement System, and requires the annual valuation to TSERS and LGERS Board to include a section providing an analysis of assets on a market basis using the 30 year treasury rate as the discount rate; 8) makes references to the Supplemental Retirement Board of Trustees consistent across statutes and provides that the 403(b) uses the same procurement procedures as the 401(k) and 457 plans; and 9) amends the reporting of earnings requirements under the Disability Income Plan.*

BILL ANALYSIS:

Section 1 amends the NC Firefighters' and Rescue Squad Workers' Pension Fund providing survivorship benefits for a member killed in the line of duty. Section 1(a) provides that, "killed in the line of duty" has the same meaning as in the Law-Enforcement Officers', Firemen's, Rescue Squad Workers' and Civil Air Patrol Members' Death Benefits Act. Section 1(b) adds G.S. 58-86-55 to outline the manner in which benefits are paid to a beneficiary when a member is killed in the line of duty. Section 1(c) amends the law pertaining to order of payments when a firefighter or rescue squad worker dies, but is not killed in the line of duty. Section 1(d) provides a two-year transition period prior to Section 1(b) which allows the member's spouse to receive a benefit. Section 1(a) and 1(d) become effective June 1, 2016 and apply to benefits paid when a member is killed in the line of duty on or after June 1, 2016, but before July 1, 2018. Section 1(b) and 1(c) become effective July 1, 2018 and apply to benefits paid when a member is killed in the line of duty on or after that date.

Section 2 clarifies the retirement information is subject to the Public Records Law. **Section 2(a)** provides information on an Attorney General's Advisory Opinion of February 5, 2008, that concluded information about retirement benefits was intended to be a record maintained for public inspection and that Department of the State Treasurer should make the information available for public inspection. The

Karen Cochrane-Brown
Director



Legislative Analysis
Division
919-733-2578

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remainder of Section 2 creates and consolidates the laws pertaining to public records for the TSERS and LGERS.

Section 2(b) adds a new section, G.S. 135-6.1, to Article 1 of Chapter 135 for the TSERS pertaining to confidentiality of member information. Various elements of the newly created G.S. 135-6.1 are as follows: Subsection (a) defines employment-related information, personal information, retirement file and retirement-related information. Subsection (b) provides that member retirement files are not subject to public inspection and examination, except to notify members and beneficiaries of their rights and accruals of benefits and as stated in subsections (c), (d), and (e) below. Subsection (c) provides that following member information is public: name; age; the dates of membership in the retirement system, the dates of first service, enrollment and employment, and the date of retirement; the terms of any contract by which a member was employed; job title; compensation; changes in employment; current assignment; record of benefits paid; and purchases of educational leave. Subsection (d) requires custodians of retirement file information to permit inspection and examination of that information by the public during regular business hours. Any person denied access to retirement file information may seek appropriate relief in a court of competent jurisdiction. Subsection (e) allows the Retirement Systems Division to disclose the names and mailing addresses of former State employees, former public school employees, or former community college employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees. Subsection (f) states any retirement file information not specified in subsection (c) is confidential and not open for inspection except by the member, the member's authorized agent, a member of the General Assembly under authority of G.S. 120-19, and an individual with a proper court order authorizing inspection. Subsection (g) makes it a Class 3 misdemeanor, punishable by a fine no greater than \$500, for a public official or employee to knowingly and willfully permit an unauthorized person to have access, custody, or possession of confidential information in a retirement file. Subsection (h) makes it a Class 3 misdemeanor, punishable by a fine no greater than \$500, for any person not authorized to have access to confidential retirement file information to knowingly and willfully examine, remove, or copy any portion of a confidential retirement file.

Section 2(c) adds a new section to Article 3 of Chapter 128 of the General Statutes pertaining to LGERS. The content is similar to that contained in Section 2(b) for TSERS.

Section 2(d) makes a conforming change to G.S. 126-22 which pertains to personnel files not subject to inspection under the public records law (G.S. 132-6).

Sections 2(e)-(h) repeal statutes authorizing disclosure of the names and mailing addresses of former public school employees, former community college employees, and former state and local government employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees because similar provisions are found in Sections 2(b) and 2(c) of the bill.

Section 3 allows certain forms to be transmitted electronically to Teachers' and State Employees' Retirement System (TSERS) members and Local Governmental Employees' Retirement System (LGERS) members. The Section amends G.S. 135-10.1 and 128-32.1 to require members in TSERS and LGERS, respectively, to respond within 120 days of transmission of Form 6-E or Form 7-E to them. Under current law, the Forms must be mailed to members. The change allows electronic transmission.

Section 4 allows letters of credit issued by a Federal Home Loan Bank to be used to collateralize deposits by amending G.S. 147-79. According to the Retirement Systems Division, banking staff have discovered that this change is necessary to avoid re-collateralizing \$1.8 billion in funds in the state banking system.

Senate PCS 886

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Section 5 requires the LGERS Board of Trustees to develop a State Contribution Rate Stabilization Policy for the NC Firefighters' and Rescue Squad Workers' Pension Fund and to report to the Office of State Budget and Management and the Fiscal Research Division on or before March 1, 2017.

Section 6 amends the membership of the TSERS and LGERS Boards of Trustees and requires the annual valuation to include additional information. Section 6(a) amends the Board of Trustees for the Teachers' and State Employees' Retirement System to add the Director of the Office of State Human Resources as an ex officio member and removes a representative of higher education. Section 6(b) amends G.S. 135-6(g) to provide that the State Treasurer appoints the director of the Retirement System. Section 6(d) amends G.S. 128-28(h) pertaining to the LGERS Board of Trustees to provide that the State Treasurer is an ex officio chair and appoints a director. Sections 6(c) and 6(e) requires the annual valuation to the TSERS Board and LGERS Board to include a supplementary section that provides an analysis of assets on a market basis using the 30 year treasury rate as of December 31 of the year of the valuation as the discount rate.

Section 7 makes references to the Supplemental Retirement Board of Trustees consistent across statutes and provides that the 403(b) uses the same procurement procedures as the 401(k) and 457 plans.

Section 8 amends G.S. 135-109 pertaining to the reporting of earnings requirements under the Disability Income Plan.

Section 9 contains a severability clause.

EFFECTIVE DATE: Except as otherwise specified, the act is effective when it becomes law.



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL 886
Pensions & Retirement and Aging Committee Substitute Adopted 6/24/16
Third Edition Engrossed 6/27/16

Short Title: Retirement Amendments.

(Public)

Sponsors:

Referred to:

May 23, 2016

1 A BILL TO BE ENTITLED
2 AN ACT TO HONOR CAPTAIN BRADLEY LONG AND ALL FUTURE FIREFIGHTERS
3 AND RESCUE SQUAD WORKERS KILLED IN THE LINE OF DUTY BY AMENDING
4 THE NC FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION FUND TO
5 PROVIDE A SURVIVORSHIP BENEFIT FOR MEMBERS KILLED IN THE LINE OF
6 DUTY; TO CONSOLIDATE PUBLIC RECORDS LAWS RELATING TO RETIREMENT;
7 AND TO MAKE OTHER ADMINISTRATIVE CHANGES.

8 The General Assembly of North Carolina enacts:

9 SECTION 1.(a) G.S. 58-86-2 is amended by adding a new subdivision to read:

10 "(9a) "Killed in the line of duty" has the same meaning as in G.S. 143-166.2(c)."

11 SECTION 1.(b) G.S. 58-86-55 is amended by adding a new subsection to read:

12 "(d1) Benefits shall be paid in the following manner when a member is killed in the line of
13 duty and the requirements of Article 12A of Chapter 143 of the General Statutes are met:

14 (1) If the member had been receiving a monthly pension fund benefit prior to being
15 killed in the line of duty, there shall be paid to the member's principal
16 beneficiary, if only one principal beneficiary is eligible, an amount of one
17 hundred seventy dollars (\$170.00) per month beginning the month following
18 the member's month of death, payable until the beneficiary's death.

19 (2) If the member had been receiving a monthly pension fund benefit prior to being
20 killed in the line of duty and the beneficiary is not payable as described in
21 subdivision (1) of this subsection, a lump sum payment equal to the difference
22 between the amount paid into the member's separate account by or on behalf of
23 the member and the amount received by the member as a pensioner will be paid
24 to the eligible beneficiaries, or if there are no eligible beneficiaries, shall be
25 paid to the member's estate.

26 (3) If the member had not yet begun receiving a monthly benefit prior to being
27 killed in the line of duty, there shall be paid to the member's principal
28 beneficiary, if only one principal beneficiary is eligible, an amount of one
29 hundred seventy dollars (\$170.00) per month beginning the month following
30 the month the member would have attained age 55, or if the member had
31 already attained age 55, beginning the month following the member's month of
32 death, payable until the beneficiary's death.

33 (4) If the member had not begun receiving a monthly benefit prior to being killed
34 in the line of duty and the beneficiary is not payable as described in subdivision
35 (3) of this section, a lump sum payment equal to the member's contributions



will be paid to the eligible beneficiaries, or if there are no eligible beneficiaries, a return of the contributions shall be paid to the member's estate.

A beneficiary under this subsection shall not be required to make the monthly payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40 after the member has been killed in the line of duty."

SECTION 1.(c) G.S. 58-86-60 reads as rewritten:

"§ 58-86-60. Payments in lump sums.

The board shall direct payment in lump sums from the fund in the following cases:

- (1) To any firefighter or rescue squad worker upon the attaining of the age of 55 years, who, for any reason, is not qualified to receive the monthly retirement pension and who was enrolled as a member of the fund, an amount equal to the amount paid into the fund by him. This provision shall not be construed to preclude any active firefighter or rescue squad worker from completing the requisite number of years of active service after attaining the age of 55 years necessary to entitle the firefighter or rescue squad worker to the pension.
- (2) If any firefighter or rescue squad worker ~~dies~~dies, ~~except if the individual is killed in the line of duty~~, before attaining the age at which a pension is payable to the firefighter or rescue squad worker under the provisions of this Article, there shall be paid to his or her surviving spouse, or if there be no surviving spouse, to the person responsible for his or her child or children, or if there be no surviving spouse or children, then to his or her heirs at law as may be determined by the board or to his or her estate, if it is administered and there are no heirs, to the person or persons designated by the member, or if the member has not designated a beneficiary, to the surviving spouse of the deceased member, or if not survived by a designated beneficiary or spouse, to the deceased member's legal representative, an amount equal to the amount paid into the member's separate account by or on behalf of the said firefighter or rescue squad worker.
- (3) If any firefighter or rescue squad worker ~~dies~~dies, ~~except if the individual is killed in the line of duty~~, after beginning to receive the pension payable to the firefighter or rescue squad worker by this Article, and before receiving an amount equal to the amount paid into the fund by him or her, there shall be paid to his or her surviving spouse, or if there be no surviving spouse, then to the person responsible for his or her child or children, or if there be no surviving spouse or children, then to his or her heirs at law as may be determined by the board or to his or her estate, if it is administered and there are no heirs, to the person or persons designated by the member, or if the member has not designated a beneficiary, to the surviving spouse of the deceased retired member, or if not survived by a designated beneficiary or spouse, to the deceased retired member's legal representative, an amount equal to the difference between the amount paid into the member's separate account by or on behalf of the said firefighter or rescue squad worker and the amount received by him or her as a pensioner.
- (4) Any member who withdraws from the fund shall, upon proper application, be paid all moneys without accumulated earnings on the payments after the time they were made. A member may not purchase time under G.S. 58-86-45 for which he or she has received a refund."

SECTION 1.(d) This section becomes effective July 1, 2018, and applies to benefits paid when a member is killed in the line of duty on or after that date.

SECTION 2.(a) The February 5, 2008, Attorney General's advisory opinion entitled "Advisory Opinion: Confidentiality of Retirement Benefit Information; Session Law 2007-508"

concluded that information about retirement benefits was intended to be included among those records required to be maintained for public inspection by each department, agency, institution, commission, and bureau of the State and that as a result the Retirement Systems Division of the Department of the State Treasurer makes that information available for public inspection and examination. The General Assembly finds that the interests of clarity require statutory language providing guidance to the Retirement Systems Division in determining and maintaining consistency as to what information should be made available about the retirement accounts of State and local employees.

SECTION 2.(b) Article 1 of Chapter 135 of the General Statutes is amended by adding a new section to read:

"§ 135-6.1. Member retirement record files held by the Retirement System.

(a) The following definitions apply in this section:

- (1) Employment-related information. – As defined in G.S. 126-22(b)(3).
- (2) Personal information. – As defined in G.S. 126-22(b)(3).
- (3) Retirement file. – Any employment-related, retirement-related, or personal information of members in a State-administered retirement plan gathered by the Retirement Systems Division of the Department of State Treasurer.
- (4) Retirement-related information. – Information including membership and service details, benefit payment information, and other information the Retirement Systems Division of the Department of State Treasurer deems necessary to administer a retirement plan.

(b) Member retirement files are not subject to inspection and examination as authorized by G.S. 132-6 except as provided in G.S. 135-6(p), G.S. 128-28(q), and subsections (c), (d), and (e) of this section.

(c) The following information regarding members and individuals in receipt of a recurring monthly benefit, if held by the Retirement System, is public and subject to subsection (d) of this section:

- (1) Name.
- (2) Age.
- (3) Date of membership in the applicable Retirement System, first service earned date, date of first enrollment, date of first employment, and date of retirement.
- (4) The terms of any contract by which the member is employed whether written or oral, past and current, to the extent that the Retirement System has the written contract or a record of the oral contract in its possession.
- (5) Current or most recently held position or title.
- (6) Compensation and other relevant remuneration history and benefits paid.
- (7) Date, general description, and type of each change and the corresponding employing agency.
- (8) The office or station to which the member is currently assigned, if any.
- (9) The record of benefit payments made by one of the Retirement Systems or Disability Benefits Programs administered by the Department of State Treasurer to a member or to the survivor, beneficiary, or alternate payee of a member.
- (10) Purchases of educational leave.

(d) Subject only to rules and policies for the safekeeping of member retirement files adopted by the Board of Trustees, every person having custody of the retirement file information outlined in subsection (b) of this section shall permit the information to be inspected and examined and copies thereof made by any person during regular business hours. Any person who is denied access to any retirement file for the purpose of inspecting, examining, or copying the file has a right to compel compliance with the provisions of this section by application to a court of competent jurisdiction for a writ of mandamus or other appropriate relief.

(e) The Retirement Systems Division of the Department of State Treasurer may disclose the name and mailing address of former State employees, former public school employees, or former community college employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees.

(f) All information other than the information listed in subsection (c) of this section contained in a retirement file is confidential and not open for inspection and examination except to the following persons:

(1) The member, or the member's authorized agent, who may examine his or her own retirement file, except for any information concerning a medical disability, mental or physical, that a prudent physician would not divulge to a patient. A member's medical record may be disclosed to a licensed physician in writing by the member.

(2) A member of the General Assembly who may inspect and examine records under the authority of G.S. 120-19.

(3) A party by authority of a proper court order may inspect and examine a particular confidential portion of a member's retirement file.

(g) Any public official or employee who knowingly and willfully permits any person to have access to or custody or possession of any portion of a retirement file designated as confidential by this section, unless the person is one specifically authorized by this section to have access thereto for inspection and examination, is guilty of a Class 3 misdemeanor and upon conviction shall only be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00).

(h) Any person not specifically authorized by this section to have access to a retirement file designated as confidential by this section, who knowingly and willfully examines, removes, or copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon conviction shall be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00)."

SECTION 2.(c) Article 3 of Chapter 128 of the General Statutes is amended by adding a new section to read:

"§ 128-33.1. Public records held by the Retirement System.

(a) The following definitions apply in this section:

(1) Employment-related information. – As defined in G.S. 126-22(b)(3).

(2) Personal information. – As defined in G.S. 126-22(b)(3).

(3) Retirement file. – Any employment-related, retirement-related, or personal information of members in a State-administered retirement plan gathered by the Retirement Systems Division of the Department of State Treasurer.

(4) Retirement-related information. – Information including membership and service details, benefit payment information, and other information the Retirement Systems Division of the Department of State Treasurer deems necessary to administer a retirement plan.

(b) Member retirement files are not subject to inspection and examination as authorized by G.S. 132-6 except as provided in G.S. 135-6(p), G.S. 128-28(q), and subsections (c), (d), and (e) of this section.

(c) The following information regarding members and individuals in receipt of a recurring monthly benefit, if held by the Retirement System, is public subject to subsection (d) of this section:

(1) Name.

(2) Age.

(3) Date of membership in the applicable Retirement System, first service earned date, date of first enrollment, date of first employment, and date of retirement.

- (4) The terms of any contract by which the member is employed whether written or oral, past and current, to the extent that the Retirement System has the written contract or a record of the oral contract in its possession.
- (5) Current or most recently held position or title.
- (6) Compensation and other relevant remuneration history and benefits paid.
- (7) Date, general description, and type of each change and the corresponding employing agency.
- (8) The office or station to which the member is currently assigned, if any.
- (9) The record of benefit payments made by one of the Retirement Systems or Disability Benefits Programs administered by the Department of State Treasurer to a member or to the survivor, beneficiary, or alternate payee of a member.
- (10) Purchases of educational leave.

(d) Subject only to rules and policies for the safekeeping of member retirement files adopted by the Board of Trustees, every person having custody of the retirement file information outlined in subsection (b) of this section shall permit the information to be inspected and examined and copies thereof made by any person during regular business hours. Any person who is denied access to any retirement file for the purpose of inspecting, examining, or copying the file has a right to compel compliance with the provisions of this section by application to a court of competent jurisdiction for a writ of mandamus or other appropriate relief.

(e) The Retirement Systems Division of the Department of State Treasurer may disclose the name and mailing address of former State employees, former public school employees, or former community college employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees.

(f) All information other than the information listed in subsection (c) of this section contained in a retirement file is confidential and not open for inspection and examination except to the following persons:

- (1) The member, or the member's authorized agent, who may examine his or her own retirement file, except for any information concerning a medical disability, mental or physical, that a prudent physician would not divulge to a patient. A member's medical record may be disclosed to a licensed physician in writing by the member.
- (2) A member of the General Assembly who may inspect and examine records under the authority of G.S. 120-19.
- (3) A party by authority of a proper court order may inspect and examine a particular confidential portion of a member's retirement file.

(g) Any public official or employee who knowingly and willfully permits any person to have access to or custody or possession of any portion of a retirement file designated as confidential by this section, unless the person is one specifically authorized by this section to have access thereto for inspection and examination, is guilty of a Class 3 misdemeanor and upon conviction shall only be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00).

(h) Any person not specifically authorized by this section to have access to a retirement file designated as confidential by this section, who knowingly and willfully examines, removes, or copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon conviction shall be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00)."

SECTION 2.(d) G.S. 126-22 reads as rewritten:

"§ 126-22. Personnel files not subject to inspection under § 132-6.

(a) Except as provided in G.S. 126-23 and G.S. 126-24, personnel files of State employees shall not be subject to inspection and examination as authorized by G.S. 132-6.

(b) For purposes of this Article the following definitions apply:

- (1) "Employee" means any current State employee, former State employee, or applicant for State employment.
- (2) "Employer" means any State department, university, division, bureau, commission, council, or other agency subject to Article 7 of this Chapter.
- (3) "Personnel file" means any employment-related or personal information gathered by an ~~employer, the Retirement Systems Division of the Department of State Treasurer,~~ employer or by the Office of State Human Resources. Employment-related information contained in a personnel file includes information related to an individual's application, selection, promotion, demotion, transfer, leave, salary, contract for employment, benefits, suspension, performance evaluation, disciplinary actions, and termination. Personal information contained in a personnel file includes an individual's home address, social security number, medical history, personal financial data, marital status, dependents, and beneficiaries.
- (4) "Record" means the personnel information that each employer is required to maintain in accordance with G.S. 126-23.

(c) Personnel files of former State employees who have been separated from State employment for 10 or more years may be open to inspection and examination except for papers and documents relating to demotions and to disciplinary actions resulting in the dismissal of the ~~employee and personnel files maintained by the Retirement Systems Division of the Department of State Treasurer.~~ employee. Retirement files maintained by the Retirement Systems Division of the Department of State Treasurer shall be made public pursuant to G.S. 128-33.1 and G.S. 135-6.1.

(d) ~~Notwithstanding any provision of this section to the contrary, the Retirement Systems Division of the Department of State Treasurer may disclose the name and mailing address of former State employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees."~~

SECTION 2.(e) G.S. 115C-321(b1) is repealed.

SECTION 2.(f) G.S. 115D-29(c) is repealed.

SECTION 2.(g) G.S. 153A-98(c3) is repealed.

SECTION 2.(h) G.S. 160A-168(c3) is repealed.

SECTION 3.(a) G.S. 135-10.1 reads as rewritten:

"§ 135-10.1. Failure to respond.

If a member fails to respond within 120 days after preliminary option figures and the Form 6-E or Form 7-E are ~~mailed, transmitted to the member,~~ or if a member fails to respond within 120 days after the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null and void; the retirement system shall not be liable for any benefits due on account of the voided application, and a new application must be filed establishing a subsequent effective date of retirement. If an applicant for disability retirement fails to furnish requested additional medical information within 90 days following such request, the application shall be declared null and void under the same conditions outlined above, unless the applicant is eligible for early or service retirement in which case the application shall be processed accordingly, using the same effective date as would have been used had the application for disability retirement been approved. The Director of the Retirement Systems Division, acting on behalf of the Board of Trustees, may extend the 120-day limitation provided for in this section when a member has suffered incapacitation such that a reasonable person would not have expected the member to be able to complete the required paperwork within the regular deadline, or when an omission by the Retirement Systems Division prevents the member from having sufficient time to meet the regular deadline."

SECTION 3.(b) G.S. 128-32.1 reads as rewritten:

1 **"§ 128-32.1. Failure to respond.**

2 If a member fails to respond within 120 days after preliminary option figures and the Form 6-E
3 or Form 7-E are ~~mailed~~transmitted to the member, or if a member fails to respond within 120
4 days after the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null
5 and void; the retirement system shall not be liable for any benefits due on account of the voided
6 application, and a new application must be filed establishing a subsequent effective date of
7 retirement. If an applicant for disability retirement fails to furnish requested additional medical
8 information within 90 days following such request, the application shall be declared null and void
9 under the same conditions outlined above, unless the applicant is eligible for early or service
10 retirement in which case the application shall be processed accordingly, using the same effective
11 date as would have been used had the application for disability retirement been approved. The
12 Director of the Retirement Systems Division, acting on behalf of the Board of Trustees, may
13 extend the 120-day limitation provided for in this section when a member has suffered
14 incapacitation such that a reasonable person would not have expected the member to be able to
15 complete the required paperwork within the regular deadline, or when an omission by the
16 Retirement Systems Division prevents the member from having sufficient time to meet the regular
17 deadline."

18 **SECTION 4.** G.S. 147-79(a) reads as rewritten:

19 "(a) The amount of funds deposited by the State Treasurer in an official depository shall be
20 adequately secured by deposit insurance, surety bonds, letters of credit issued by a Federal Home
21 Loan Bank, or investment securities of such nature, in such amounts, and in such manner, as may
22 be prescribed by rule or regulation of the State Treasurer with the approval of the Governor and
23 Council of State. No security is required for the protection of funds remitted to and received by a
24 bank or trust company designated by the State Treasurer under G.S. 142-1 and acting as paying
25 agent for the payment of the principal of or interest on bonds or notes of the State."

26 **SECTION 5.** The Board of Trustees of the Local Governmental Employees'
27 Retirement System shall develop a "State Contribution Rate Stabilization Policy" for the North
28 Carolina Firefighters' and Rescue Squad Workers' Pension Fund and report it to the Office of State
29 Budget and Management and the Fiscal Research Division on or before March 1, 2017.

30 **SECTION 6.** If any provision of this act or its application is held invalid, the
31 invalidity does not affect other provisions or applications of this act that can be given effect
32 without the invalid provisions or application, and to this end the provisions of this act are
33 severable.

34 **SECTION 7.** Except as otherwise provided, this act is effective when it becomes law.





SENATE BILL 886: Retirement Amendments.

2016-2017 General Assembly

Committee:	House Rules, Calendar, and Operations of the House	Date:	June 28, 2016
Introduced by:	Sens. Wells, Apodaca	Prepared by:	Theresa Matula
Analysis of:	Third Edition		Committee Staff

SUMMARY: *Senate Bill 886 does the following: 1) honors firefighter Captain Bradley Long, who was killed in the line of duty; 2) adds language providing survivorship benefits for a member killed in the line of duty for the NC Firefighters' and Rescue Squad Workers' Pension Fund effective July 1, 2018, and applying to benefits paid when a member is killed in the line of duty on or after that date; 3) clarifies the retirement information that is subject to the Public Records Law; 4) allows certain forms to be transmitted electronically to Teachers' and State Employees' Retirement System (TSERS) members and Local Governmental Employees' Retirement System (LGERS) members; 5) allows letters of credit issued by a Federal Home Loan Bank to be used to collateralize deposits; and 6) requires the LGERS Board of Trustees to develop a State Contribution Rate Stabilization Policy for the NC Firefighters' and Rescue Squad Workers' Pension Fund.*

BILL ANALYSIS:

Section 1 amends the NC Firefighters' and Rescue Squad Workers' Pension Fund. Section 1(a) provides that, "killed in the line of duty" has the same meaning as in the Law-Enforcement Officers', Firemen's, Rescue Squad Workers' and Civil Air Patrol Members' Death Benefits Act. Section 1(b) adds G.S. 58-86-55 to outline the manner in which benefits are paid when a member is killed in the line of duty. Section 1(c) amends the law pertaining to order of payments when a firefighter or rescue squad worker dies, but is not killed in the line of duty. Section 1(d) provides that Section 1 becomes effective July 1, 2018, and applies to benefits paid when a member is killed in the line of duty on or after that date.

Section 2 clarifies the retirement information is subject to the Public Records Law. **Section 2(a)** provides information on an Attorney General's Advisory Opinion of February 5, 2008, that concluded information about retirement benefits was intended to be a record maintained for public inspection and that Department of the State Treasurer should make the information available for public inspection. The remainder of Section 2 creates and consolidates the laws pertaining to public records for the TSERS and LGERS.

Section 2(b) adds a new section, G.S. 135-6.1, to Article 1 of Chapter 135 for the TSERS pertaining to confidentiality of member information. Various elements of the newly created G.S. 135-6.1 are as follows: Subsection (a) defines employment-related information, personal information, retirement file and retirement-related information. Subsection (b) provides that member retirement files are not subject to public inspection and examination, except to notify members and beneficiaries of their rights and accruals of benefits and as stated in subsections (c), (d), and (e) below. Subsection (c) provides that following member information is public: name; age; the dates of membership in the retirement system, the dates of first service, enrollment and employment, and the date of retirement; the terms of any contract by which a member was employed; job title; compensation; changes in employment; current

Karen Cochrane-Brown
Director



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assignment; record of benefits paid; and purchases of educational leave. Subsection (d) requires custodians of retirement file information to permit inspection and examination of that information by the public during regular business hours. Any person denied access to retirement file information may seek appropriate relief in a court of competent jurisdiction. Subsection (e) allows the Retirement Systems Division to disclose the names and mailing addresses of former State employees, former public school employees, or former community college employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees. Subsection (f) states any retirement file information not specified in subsection (c) is confidential and not open for inspection except by the member, the member's authorized agent, a member of the General Assembly under authority of G.S. 120-19, and an individual with a proper court order authorizing inspection. Subsection (g) makes it a Class 3 misdemeanor, punishable by a fine no greater than \$500, for a public official or employee to knowingly and willfully permit an unauthorized person to have access, custody, or possession of confidential information in a retirement file. Subsection (h) makes it a Class 3 misdemeanor, punishable by a fine no greater than \$500, for any person not authorized to have access to confidential retirement file information to knowingly and willfully examine, remove, or copy any portion of a confidential retirement file.

Section 2(c) adds a new section to Article 3 of Chapter 128 of the General Statutes pertaining to LGERS. The content is similar to that contained in Section 2(b) for TSERS.

Section 2(d) makes a conforming change to G.S. 126-22 which pertains to personnel files not subject to inspection under the public records law (G.S. 132-6).

Sections 2(e)-(h) repeal statutes authorizing disclosure of the names and mailing addresses of former public school employees, former community college employees, and former state and local government employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees because similar provisions are found in Sections 2(b) and 2(c) of the bill.

Section 3 amends G.S. 135-10.1 and 128-32.1 to require members in TSERS and LGERS, respectively, to respond within 120 days of transmission of Form 6-E or Form 7-E to them. Under current law, the Forms must be mailed to members. The change allows electronic transmission.

Section 4 amends G.S. 147-79 to allow letters of credit issued by a Federal Home Loan Bank to be used to collateralize deposits. According to the Retirement Systems Division, banking staff have discovered that this change is necessary to avoid re-collateralizing \$1.8 billion in funds in the state banking system.

Section 5 requires the LGERS Board of Trustees to develop a State Contribution Rate Stabilization Policy for the NC Firefighters' and Rescue Squad Workers' Pension Fund and to report to the Office of State Budget and Management and the Fiscal Research Division on or before March 1, 2017.

Section 6 contains a severability clause.

EFFECTIVE DATE: Except as otherwise specified, the act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Retirement Note

BILL NUMBER: Senate Bill 886 (Second Edition)

SHORT TITLE: Retirement Amendments.

SPONSOR(S): Senators Wells and Apodaca

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; local government funds

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System (TSERS), Local Governmental Employees' Retirement System (LGERS), and the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF).

BILL SUMMARY:

Section 1: Extends the monthly benefit in the FRSWPF to the named beneficiary of a member killed in the line-of-duty (as defined in G.S. 143-166.2(c) for the \$50,000 death benefit). The benefit is payable until the beneficiary's death. Also allows all members to name a beneficiary for the return of contributions, which goes to the spouse, children, or estate, in that order, under current law.

Section 2: Separates statutes governing what is public within membership records held by the Retirement Systems Division from statutes governing what is public record within employment files held by employing agencies.

Section 3: Clarifies that certain documents can be transmitted by means other than physical mail.

Section 4: Affects Department of State Treasurer operations unrelated to the Retirement Systems, so is not addressed in this note.

Section 5: Directs the LGERS Board of Trustees to develop a contribution stabilization policy for the FRSWPF. Such policies were recently adopted for TSERS and LGERS.

EFFECTIVE DATE: Section 1 becomes effective July 1, 2018. All other sections become effective when they become law.

ESTIMATED IMPACT ON STATE:

Buck Consultants, the actuary for the Retirement Systems, estimates that the line-of-duty death provision of Section 1 will increase the actuarially determined contribution for the FRSWPF by \$103,000 per year.

Hartman & Associates, the actuary for the General Assembly, estimates that the line-of-duty death provision of Section 1 will increase the actuarially determined contribution for the FRSWPF by approximately \$50,000 per year.

Both the House budget (HB 1030, Fourth Edition) and the Senate budget (HB 1030, Sixth Edition) contain a revised net appropriation to the FRSWPF of \$17.6 million. Based on a June 10, 2016 letter from Buck Consultants revising the actuarially determined contribution for FY 2016-17, this amount is sufficient to cover the contribution increase due to Section 1 and adopt a contribution stabilization policy as directed by Section 5.

Both actuaries estimate that the other sections of the Second Edition will have no material impact on the contribution rates or liabilities of any of the systems affected. However, Buck Consultants further notes with regard to Section 3 that this measure could possibly result in more contributions or lower administrative costs for the Retirement System, which would be a positive outcome for the Retirement System. That being said, within the actuarial framework, they are unable to quantify the actuarial impact based on the information provided.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2014 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2014 unless otherwise noted, M = millions)			
	<u>TSERS</u>	<u>LGERS</u>	<u>FRSWPF</u>
Active Members			
Count	307,313	123,184	43,134
General Fund Compensation	\$9,865M		
Valuation Compensation (Total)	\$13,737M	\$5,652M	Not applicable
Average Age	45	44	40
Average Service	10.7	10.3	11.7
Inactive Members			
Count	134,871	55,298	153
Retired Members			
Count	194,607	60,408	12,730
Annual Benefits	\$4,058M	\$1,109M	\$26M
Average Age	70	68	68
New Retirees During 2015	11,400	4,100	600

Financial Statistics (as of 12/31/2014 unless otherwise noted, M = millions)			
	<u>TSERS</u>	<u>LGERS</u>	<u>FRSWPF</u>
Accrued Liability (AL)	\$67,715M	Not meaningful	\$419M
Actuarial Value of Assets (AVA)	\$64,734M	\$22,682M	\$381M
Market Value of Assets (MVA)	\$64,587M	\$22,745M	\$383M
Unfunded Accrued Liability (AL - AVA)	\$2,981M	Not meaningful	\$38M
Funded Status (AVA / AL)	96%	Not meaningful	91%
Annual Required Contribution (ARC) for FY 2016-17 (as % of pay)	9.50% (new assumptions)	7.25% (non-LEO)	\$17.6M (prior to new lapse assumption)
Assumed Rate of Investment Return	7.25%	7.25%	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 6.86%	3.50% - 6.71%	Not applicable
Cost Method	Entry Age Normal	Frozen Entry Age	Entry Age Normal
Amortization	12 year, closed, flat \$	Not applicable	12 year, closed, flat \$
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015			

Benefit Provisions			
	<u>TSERS</u>	<u>LGERS</u>	<u>FRSWPF</u>
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay	\$170 per month
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5	55/20
Employee contribution (as % of pay)	6%	6%	\$10 per month

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "Administrative Changes Retirement System/Treasurer – House Bill 1134 (Committee Substitute Favorable 5/31/16)", June 15, 2016, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 1134 Committee Substitute 5/31/16: An Act to Make Administrative Changes to the Retirement System and to Make Other Changes Affecting the State

Treasurer”, June 2, 2016, original of which is on file in the General Assembly’s Fiscal Research Division.

Buck Consultants, “Adjusted Actuarially Determined Contribution for the FRSWPF for FYE 2017”, June 10, 2016, original of which is on file in the General Assembly’s Fiscal Research Division.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: David Vanderweide

APPROVED BY:

Mark Trogon, Director
Fiscal Research Division

DATE: June 27, 2016



Signed Copy Located in the NCGA Principal Clerk's Offices

HOUSE PAGES

(Pensions and Retirement)

Week of June 27-30, 2016

Name:	County:	Sponsor:
Mary Kate Abner	Mecklenburg	Rep. Rob Bryan
Bailey Jourden	Cumberland	Rep. William Richardson
Hope Harrington	Wake	Rep. Paul Stam
Addison Butler	Rockingham	Rep. Bert Jones



Committee Sergeants at Arms

NAME OF COMMITTEE

Pensions & Retirement

DATE:

6/30

Room:

415

House Sgt-At Arms:

1. Name:

MARTHA GADDISON

2. Name:

BARRY MOORE

3. Name:

JONAS CHERRY

4. Name:

BILL RILEY

5. Name:

Senate Sgt-At Arms:

1. Name:

2. Name:

3. Name:

4. Name:

5. Name:

VISITOR REGISTRATION SHEET

Pensions & Retirement

Name of Committee

6/30/2016

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

R Rogers

NCRGA

Ray Presnell

NCRSP

Michael Crowder

JOHNSON, WILKES BOARDS OF EDUC.

Ed Benson

NCSFA

Dub Clark

NCSF

Kevin Gordon

NCSFA

Jim Bradley

NCSFA



VISITOR REGISTRATION SHEET

Pensions & Retirement
Name of Committee

6/30/2016
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

<i>Elizabeth Robinson</i>	<i>NCRMA</i>
<i>John Clark</i>	<i>WNC</i>
<i>Flint Benson</i>	<i>SEANC</i>
<i>Suzanne Beasley</i>	<i>SEANC</i>
<i>David Collins</i>	<i>SEANC</i>
<i>Demetris Delatch</i>	<i>Pep Hares</i>
<i>Sue Ann Forrest</i>	<i>NCICU</i>
<i>Nathan Batts</i>	<i>NCBA</i>
<i>Nathaniel Brown</i>	<i>DST</i>
<i>Adam Perkins</i>	<i>NCBA</i>
<i>Chris Broughton</i>	<i>MWC</i>



Pensioners & Retirement 6/30/2016
Name of Committee Date

NAME	FIRM OR AGENCY AND ADDRESS
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