



HOUSE BILL 960: Retirement Creditable Service Charter Schools.

2016-2017 General Assembly

Committee:		Date:	July 12, 2016
Introduced by:		Prepared by:	Tawanda N. Foster Staff Attorney
Analysis of:	S.L. 2016-82		

OVERVIEW: *S.L. 2016-82 allows 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 and requires cost estimates for statutory changes to service purchase provisions.*

The act became effective June 30, 2016.

CURRENT LAW:

Section 1

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.

Section 2

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.

Section 3

G.S. 120-114 provides the requirements for requesting actuarial notes and retirement system cost estimates, as well as the timeline for the submission of such notes and estimates. It also provides the penalty for signing an actuarial note containing false information to be a fine of not more than \$500.00 or imprisonment for not more than six months, or both.

BILL ANALYSIS:

Section 1

This section allows members of TSERS to purchase up to five years of creditable service for employment in a charter school operated by a private nonprofit corporation. Such a purchase may be

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.

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made by a member after five years of membership service and payment of a lump-sum in the Annuity Savings Fund.

Section 2

The act repeals G.S. 135-8(b)(5)d which allowed 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 the service interruption.

Section 3

This section adds a requirement that if any bill or resolution adds or modifies service purchase provisions the Fiscal Research Division must obtain a cost estimate using the 30 year United States Treasury constant maturity and cost of living adjustment and salary increase assumptions consistent with that rate as of December of the year of the most recent actuarial valuation in addition to the cost of the provision using the valuation assumptions.

EFFECTIVE DATE: This act became effective June 30, 2016.