HOUSE BILL 183:
Retirement Admin. Changes Act of 2017.

2017-2018 General Assembly

Committee:	Senate Rules and Operations of the Senate	**Date:**	June 26, 2017
Introduced by:	Reps. Collins, Ross, McNeill	**Prepared by:**	Theresa Matula Committee Staff
Analysis of:	Third Edition		

***OVERVIEW:** House Bill 183 makes the following changes: addresses the recoupment of overpaid benefits or erroneous payments; amends retirement laws to reflect system funding policies and incorporate trust language from the Governmental Accounting Standards Board (GASB); permits electronic beneficiary designation; clarifies that TSERS is a multi-employer plan under GASB; creates a Legislative Enactment Implementation Arrangement (LEIA) to pay costs of legislative benefit changes; clarifies that unpaid State checks are confidential; allows public employers to make additional contributions to employee deferred compensation accounts; requires the overdrawn check fee be paid with non-State funds; standardizes the reporting of sick leave; and makes various technical changes. Statutes for the following systems and funds are amended by this bill: Firefighters' and Rescue Squad Workers' Pension Fund, Teachers' and State Employees' Retirement System (TSERS), Local Governmental Employees' Retirement System (LGERS), Consolidated Judicial Retirement System (CJRS), Legislative Retirement System, Disability Income Plan, investment fund, Achieving a Better Life Experience (ABLE) Program Trust.*

BILL ANALYSIS:

<u>Section 1</u> amends and clarifies the recoupment of overpaid benefits or erroneous payments. Section 1(a) amends the NC Firefighters' and Rescue Squad Workers' Pension Fund to provide that notwithstanding any provision to the contrary, any overpayment of benefits or erroneous payments to a member in a State-administered retirement system, the Disability Salary Continuation Plan, the Disability Income Plan, including any benefits paid to, or State Health Plan premiums or claims paid on behalf of a member, who is later determined ineligible, may be offset against a retirement allowance, return of contributions, or other right accruing to the person, the person's estate, or designated beneficiary. This section is effective when it becomes law.

<u>Section 2</u> makes statutory changes to reflect the funding polices of the Boards of Trustees for the TSERS and the LGERS, to amend various systems containing funds for retiree health, disability income, and death benefits to provide for a trust in response to the Governmental Accounting Standards Board (GASB), and to eliminate historical statutory language that is no longer relevant.

Section 2(a) amends TSERS law to provide that there are only two funds to which all of the assets of the Retirement System must be credited: the annuity savings fund and the pension accumulation fund. Section 2(b) removes statutory language that is no longer necessary and clarifies that each participating employer is required to deduct 6% the salary of each member on every payroll of the employer for every payroll period.

Section 2(c) amends LGERS law to provide all of the assets of the Retirement System must be credited to the following three funds: annuity savings fund, pension accumulation fund, and the expense fund. Section 2(d) removes statutory language that is no longer relevant and clarifies that each participating

Karen Cochrane-Brown
Director

H183-SMSH-65 E3 -V-3

Legislative Analysis Division
919-733-2578

employer is required to deduct 6% the salary of each member on every payroll of the employer for every payroll period.

Section 2(e) repeals G.S. 135-8(b)(4) allowing a member to redeposit a withdrawal in the annuity savings fund, although members were not permitted to do this for any amount withdrawn after July 1, 1959, except as provide for G.S. 135-4(e). Section 2(f) repeals G.S. 135-8(c) pertaining to the TSERS annuity reserve fund which conforms to Section 2(a). Section 2(g) repeals G.S. 128-30(c) pertaining to the LGERS annuity reserve fund which conforms to Section 2(c).

Section 2(h) amends the TSERS pension accumulation fund to provide that the rate per centum of contributions must be fixed on the basis of the liabilities of the Retirement System as shown by actuarial valuation, approved by the Board of Trustees, and called the "actuarially determined employer contribution rate". The actuarially determined employer contribution rate must be calculated annually by an actuary using assumptions and a cost method approved by the Actuarial Standards Board of the American Academy of Actuaries and selected by the Board of Trustees. G.S. 135-8(d)(3a) not withstands Chapter 150B (Administrative Procedures Act) to provide for the required employer contribution rate and to prohibit the Board from adopting a contribution rate policy that results in a rate less than the normal contribution rate. Section 2(i) makes similar changes to the LGERS pension accumulation fund.

Section 2(j) repeals the TSERS pension reserve fund in G.S. 135-8(e) which conforms to Section 2(a). Section 2(k) repeals the LGERS pension reserve fund in G.S. 128-30(e) which conforms to Section 2(c). Section 2(m) makes a change to conform to Section 2(h) utilizing the term, required employer contribution.

Section 2(n) pertains to the TSERS Retiree Health Benefit Fund to provide that it is the intent of the General Assembly that the Retiree Health Benefit Fund be a trust fund that provides an irrevocable source of funds to be used for health benefits to retired and disabled employees and their applicable beneficiaries.

Section 2(o) amends the Disability Income Plan to provide that it is the intent of the General Assembly that a trust fund be created to provide an irrevocable source of funding to be used for the disability benefits to participants and beneficiaries.

Section 2(p) provides that it is the intent of the General Assembly to establish a master trust fund to be used only for death benefits and disability benefits and creates the NC Teachers' and State Employees' Benefit Trust as a master trust for all receipts, transfers, appropriations, contributions, investment earnings and other income belonging to the Plans. Sections 2(q), (r),(s), (t), (u), and (v) make conforming changes to the Legislative Retirement System, LGERS, TSERS, Consolidated Judicial Retirement Act and the separate insurance benefits plan for law enforcement officers to reflect the Trust.

This section becomes effective June 30, 2017.

Section 3 makes a number of gender neutral amendments and allows the death benefit beneficiary to be changed electronically for TSERS, CJRS, LGERS, and Legislative Retirement System. Section 3 becomes effective January 1, 2018.

Section 4 amends the TSERS definition of "employer" to provide that for purposes of reporting under the pronouncements by the Governmental Accounting Standards Board (GASB), the Retirement System is a multi-employer plan. Section 4 becomes effective June 30, 2017

Section 5 creates a Legislative Enactment Implementation Arrangement (LEIA) for TSERS and LGERS to provide timely administrative implementation of legislative provisions. 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 Web site. Section 5(b) creates the LEIA as outlined above for the LGERS. This section becomes effective October 1, 2017.

Section 6 amends Article 6 of Chapter 147 of the General Statutes pertaining to unpaid warrants (state checks). This section provides 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. This section is effective when it becomes law.

Section 7 amends the Deferred Compensation Plan to provide that the Chief Executive officer of an employer, on behalf of the employer, may contribute to a deferred compensation account of a teacher or State employee. The new language in G.S. 147-9.4(b) not withstands any law to the contrary, including G.S. 143B-426.40A pertaining to claims against the State. This section is effective when it becomes law.

Section 8 amends G.S. 143B-426.40G(b) to provide that the $15 fee for overdrawn checks is imposed on an agency with non-State funds. This section becomes effective October 1, 2017.

Section 9 pertains to credit for sick leave upon TSERS and LGERS retirement. The section provides that the number of days of sick leave standing to a member's credit at retirement shall be determined by dividing the member's total hours of sick leave at retirement by the hours per month such leave was awarded under the employer's duly adopted sick leave policy as the policy applied to the member when the leave was accrued. This section becomes effective January 1, 2018.

Section 10 makes a technical change to provide that the professional management firm selected to administer the investment fund must be "subject to the rules and regulation of", rather than "registered with", the US Securities and Exchange Commission. This section is effective when it becomes law.

Section 11 makes a technical change to the Achieving a Better Life Experience (ABLE) Program Trust to replace the word "form" with "package". This section is effective when it becomes law.

Section 12 contains a severability clause. This section is effective when it becomes law.

EFFECTIVE DATE: Except as otherwise provided, the bill would become effective when it becomes law. (For convenience, the effective dates have been provided for each section above.)