



HOUSE BILL 284: 25-Year LEO Retirement Option.

2017-2018 General Assembly

Committee:		Date:	June 13, 2018
Introduced by:	Reps. Murphy, McNeill, Rogers, Malone	Prepared by:	Theresa Matula
Analysis of:	Fourth Edition		Legislative Analyst

OVERVIEW: *House Bill 284 would allow separation buyouts for law enforcement officers; permit transfers under the special retirement allowance to be paid in whole or in part with employer contributions; and allow law enforcement officers who are members of the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees Retirement System (LGERS) to retire with 25 years of creditable service, a minimum of 15 years of that creditable service must be earned in a law enforcement capacity.*

The transfer provisions in Section 2, and the 25 year retirement option in Section 3, would become effective July 1, 2019. The remainder of the bill would become effective when it becomes law.

BILL ANALYSIS:

Separation buyouts: Section 1 of the bill would amend Chapter 143, Article 12D, pertaining to separation allowances, to add a new law allowing separation buyouts for law enforcement officers. The new statute would allow any State department, agency or institution, or any local government employer, to offer a lump sum buyout to a law enforcement officer who leaves employment prior to reaching eligibility for a separation allowance. The buyout must be paid from funds available and must not exceed the total that would otherwise be paid under existing special separation allowance laws for State (G.S. 143-166.41) and local (G.S. 143-166.42) government employers.

Special Retirement Allowance Transfer: Current law (G.S. 135-5(m2) and G.S. 128-27(m2))¹ allows a member to make a one-time irrevocable election to transfer any portion of the member's eligible accumulated contributions, not including any Roth after-tax contributions and earnings, from the Supplemental Retirement Income Plan or the Public Employee Deferred Compensation Plan to the TSERS or LGERS and to receive in addition to the member's basic service, early or disability retirement allowance, a special retirement allowance based upon the member's transferred balance.

Section 2(a) of the bill amends the Teachers' and State Employees' Retirement System (TSERS) law on special retirement allowance described above to allow any transfer to be paid in whole or in part with employer contributions paid directly to the Retirement System at the time of transfer. Section 2(b) amends the Local Governmental Employees' Retirement System (LGERS) law in the same manner as described in Section 2(a) for TSERS.

25-year Retirement: Sections 3(a), (b), (c), and (d) pertain to the TSERS, Sections 3(e), (f), (g), and (h) make the same changes to LGERS.

Section 3(a) amends TSERS benefits to allow any member who is a law-enforcement officer and who (i) attains age 50 with 15 or more years of creditable service in this capacity, (ii) attains age 55 and completes

¹ G.S. 135-5(m1) and G.S. 128-27 (m1) also provide for a special retirement allowance for law enforcement officers.

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Legislative Analysis
Division
919-733-2578

House Bill 284

Page 2

five or more years of creditable service in this capacity, or (iii) has completed 25 years of creditable service, 15 years of the creditable service must be in a law enforcement capacity.

Section 3(b) amends G.S. 135-5(b19) to end the current service retirement allowance before July 1, 2018.

Section 3 (c) provides the statutory language to allow the 25 year retirement option on or after July 1, 2018. Because Section 3(b) provides an end date for the retirement service options under G.S. 135-5(b19), the current service retirement allowance options that remain in place are set out again in Section 3(c) which adds a new G.S. 135-5(b21).

This section sets out the **current law** providing the following service retirement allowance:

- Similar to G.S. 135-5(b19)(1)a, G.S. 135-5(b21)(1)a provides that if the service retirement date occurs on or after 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 the member's average final compensation, multiplied by the number of years of the member's creditable service.
- Similar to G.S. 135-5(b19)(1)c, G.S. 135-5(b21)(1)c provides that if the 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 completion of 30 years of creditable service, the retirement allowance shall be equal to the greater of the following amounts:
 - 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 retirement date precedes the first day of the month coincident with or next following the month the member would have attained age 55.
 - The service retirement allowance as computed under G.S. 135-5(b21)(1)a. reduced by five percent (5%) times the difference between 30 years and the amount of creditable service at retirement.

Additionally, this section provides the following **25 year retirement option**:

- G.S. 135-5(b21)(1)b provides that if the service retirement date occurs prior to the member's 50th birthday and after the completion of 25 years of creditable service with 15 years of creditable service in a law enforcement capacity but before the completion of 30 years of creditable service, the retirement allowance shall be equal to the greater of the following amounts:
 - 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.
 - The service retirement allowance as computed under G.S. 135-5(b21)(1)a. reduced by five percent (5%) times the difference between 30 years and the member's creditable service at retirement plus four percent (4%) times the difference between age 50 and the member's age at retirement.

The benefits in G.S. 135-5(b21)(2) for a member who is not a law enforcement officer or an eligible former law enforcement officer remain unchanged but are being set out again because of the end date on subsection (b19).

Section 3(d) makes conforming changes to the survivor's alternate benefit.

Sections 3(e), (f), (g), and (h) make the same changes to LGERS as Sections 3 (a),(b), (c), and (d) did for under the TSERS.

House Bill 284

Page 3

Section 4 allows the Retirement Systems Division, Department of State Treasurer, to increase receipts from the retirement assets of the corresponding retirement system or pay costs association with the administration of the changes directly from the retirement assets in order to provide for the administration of Sections 2 and 3.

EFFECTIVE DATE: Sections 2 and 3 would become effective July 1, 2019, the remainder becomes effective when it becomes law.

Amy Jo Johnson, staff to House Appropriations, contributed to this summary.