



SENATE BILL 467: North Carolina Retirement Reform.

2017-2018 General Assembly

Committee:	Senate Pensions and Retirement and Aging. If favorable, re-refer to Rules and Operations of the Senate	Date:	May 2, 2017
Introduced by:	Sens. Wells, Rabon, Rabin	Prepared by:	Tawanda N. Foster Committee Counsel
Analysis of:	First Edition		

OVERVIEW: *Senate Bill 467 would reform the North Carolina Retirement System 1) by providing that certain employees hired by the State beginning July 1, 2018, must participate in the North Carolina 401(K) Plan or North Carolina 457 Plan rather than the Teachers' and State Employees' Retirement System (TSERS) or the Consolidated Judicial Retirement System (CJRS); 2) by providing that members of the General Assembly who first become members on or after July 1, 2018 must participate in the North Carolina 401(k) Plan or North Carolina 457 Plan rather than the Legislative Retirement System (LRS); 3) by providing that certain local governmental employees hired on or after July 1, 2018 must participate in the North Carolina 401(k) Plan or North Carolina 457 Plan rather than the Local Government Retirement System (LGERS); 4) by making changes to the State Health Plan eligibility for State retirees; 5) and by making conforming changes.*

BILL ANALYSIS:

PART I. ENACT DEFINED CONTRIBUTION PLAN FOR NEW HIRES

Section 1(a) adds a new article with new definitions and creates automatic features for the NC 401(k) and/or 457 plans for new employees (including auto-enrollment, auto-resetting of contributions to a level projected to provide adequate retirement income, target-date default investment including an inflation-indexed bond option to help guide employee to annuitization, and auto-commencement of distributions in amount of potential annuity payments).

Section 1(b) states the General Assembly intends to set the initial State match at 100% of the first 6% contributed by the employee and to continue unfunded liability contributions to the existing retirement systems based on the compensation of new hires.

Section 1(c) adds a new article to create a benefit that would allow new hires to transfer 401(k) and/or 457 funds to a new retirement system to generate lifetime inflation-indexed benefits. The Department of State Treasurer would administer this new system and would be required to minimize risk by closely matching investments to projected payments.

Section 1(d) makes conforming changes to NC 401(k) statutes to allow new hires to participate and requires five years of service before new hires are vested in the employer contributions to the 401(k).

Karen Cochrane-Brown
Director



Legislative Analysis
Division
919-733-2578

Senate Bill 467

Page 2

PART II. CEASE MEMBERSHIP IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, AND, FOR CERTAIN EMPLOYEES, THE OPTIONAL RETIREMENT PROGRAM

Section 2(a) limits membership in the Teachers' and State Employees' Retirement System (TSERS) to employees who earned membership service prior to July 1, 2018, and did not withdraw that service. Provides existing members to TSERS would stay in the System, but no new members could join.

Section 2(b) limits membership in the Local Governmental Employees' Retirement System (LGERS) to employees who earned membership service prior to July 1, 2018, and did not withdraw that service.

Section 2(c) provides existing members to TSERS would stay in the System, but no new members could join.

Section 2(d) provides existing members to LGERS would stay in the System, but no new members could join.

Section 2(e) provides no new local governments may be approved to participate in LGERS on or after July 1, 2018. If a local government is approved prior to that date notice of desire to join must have been filed by January 1, 2018. Existing participating governments would continue to participate, but no new local governments could join.

Section 2(f) limits membership in the Consolidated Judicial Retirement System (CJRS) to employees who earned membership service prior to July 1, 2018, and did not withdraw that service.

Section 2(g) limits membership in the Legislative Retirement System (LRS) to members who earned membership service prior to July 1, 2018, and did not withdraw that service.

Section 2(h) limits membership in the UNC Optional Retirement Program (ORP) to new SHRA (Subject to the Human Resources Act) employees initially appointed before July 1, 2018. New EHRA (Exempt from the Human Resources Act) employees will join, but will no longer have a choice between ORP and TSERS.

Section 2(i) limits membership in the Community College Optional Retirement Program to employees initially appointed before July 1, 2018.

Section 2(j) provides for a time period to be set by the Board of Trustees in which existing members of TSERS, CJRS, LGERS, and LRS can elect to cease participation in the existing systems, join the plans for new hires, and transfer their employee contributions to the new plan.

Section 2(k) requires the Department of State Treasurer to produce a report on policy options with respect to local government employees who do not participate in Social Security. These employees are mostly police and firefighters at certain municipalities.

PART III. REPAY TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM UNFUNDED LIABILITY

Section 3 provides the General Assembly intends to appropriate \$100 million in FY 2017-18 and \$200 million in FY 2018-19 to more quickly repay unfunded liability in the existing retirement system.

Senate Bill 467

Page 3

PART IV. CONFORMING CHANGES/DISABILITY INCOME PLAN/DEATH BENEFIT PLAN

Section 4(a) allows participation in the Disability Income Plan for new State government hires on or after July 1, 2018.

Section 4(b) allows participation in the Death Benefit Plan for new State government hires on or after July 1, 2018.

Section 4(c) allows participation in the Death Benefit Plan for certain new local government hires on or after July 1, 2018.

PART V. ELIMINATE RETIREE MEDICAL FOR NEW HIRES

Section 5(a) amends the definition of "Retired Employee" in the State Health Plan to require contributory retirement service earned prior to July 1, 2018.

Section 5(b) limits eligibility for retiree coverage in the State Health Plan to those meeting the new definition of Retired Employee.

EFFECTIVE DATE: This act would become effective July 1, 2018.