



SENATE BILL 379: Retiree Amendments.

2019-2020 General Assembly

Committee:	Senate Rules and Operations of the Senate	Date:	May 1, 2019
Introduced by:	Sens. Wells, Johnson	Prepared by:	Theresa Matula
Analysis of:	First Edition		Legislative Analyst

OVERVIEW: *Senate Bill 379 makes the following amendments: changes the purchase of creditable service in the Teachers' and State Employees' Retirement System (TSERS), the Local Government Employees' Retirement System (LGERS), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS); amends the discontinued service retirement allowance calculation; creates exemptions from Rule Making; amends the effect of LGERS trustees vote on contributory death benefit; exempts the Department of State Treasurer call center from laws pertaining to telephone system routing requirements; adds definition of "duly acknowledged" to TSERS and LGERS; amends TSERS and LGERS pertaining to collection of contributions for contribution-based benefits cap liability; permits electronic transfer of funds in certain situations; and amends notification and removes the sunset on the election to have accumulated sick leave as a member of LGERS applied to service in the Sheriffs' Supplemental Pension Fund.*

BILL ANALYSIS: In general, **Section 1** amends laws related to the purchase of creditable service to require a member to be an active employee to make the purchase, limits the purchase to five years of credit, and allows employers to pay all or part of the cost of a service purchase of a member in service. Systems impacted include: TSERS, LGERS, CJRS, and LRS. The discontinued service retirement allowance calculation is also amended. Specific changes are outlined below:

Section 1(a) amends G.S. 135-4 pertaining to TSERS creditable service. A number of changes are made to remove old and or outdated language and the changes generally listed below are made to subsections pertaining to the purchase of creditable service.

- Amends the calculation in subsection (f) for the purchase of armed service credit.
- Subsection (k) is amended to apply to withdrawn service purchases on or before December 31, 2019. For withdrawn service purchased on and after January 1, 2020, a new subsection (k1) is added to require the member to be in service when purchasing withdrawn service the creditable service purchased may not exceed five years. The member must purchase the service by paying a lump sum amount equal to the full liability increase except for the following assumptions specific to this calculation: (i) the allowance shall be assumed to commence at the earliest age at which the member could retire on an unreduced retirement allowance and (ii) assumed annual postretirement allowance increases as set by the Board of Trustees upon the advice of the consulting actuary. The calculation must also include an administrative fee to be set by the Board. Additionally, an employer may pay all or part of the cost of a service purchase of a member in service.
- Subsection (l1) is amended to apply to the purchase of creditable service rendered to the federal government, as well as service to any state, territory or other governmental subdivision of the United States, on or before December 31, 2019. A new subsection (l2) pertains to the purchase of creditable

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service on and after January 1, 2020, for service previously rendered to the federal government, as well as service to any state, territory or other governmental subdivision of the United States.

- The current subsection (p), pertaining to credit for prior temporary State employment, would apply to service credit purchased on or before December 31, 2019.
- The current provision for the purchase of part-time service credit, subsection (p1) is removed and a new language is added in subsection (p2) pertaining to the purchase of part-time service.
- Changes similar to those outlined above for the purchase of creditable service are made to the following: subsection (s) temporary employment; subsection (w) federal employment; subsection (z) leave due to extended illness; subsection (aa) parental leave, pregnancy or childbirth-related leave, or certain involuntary furloughs; subsection (bb) probationary local government employment; and subsection (hh) service with UNC during which the member participated in the Optional Retirement Program.

Section 1(b) amends G.S. 128-26 pertaining to the LGERS in a manner similar to the changes outlined above for TSERS.

Section 1(c) amends G.S. 135-1.1 pertaining to the purchase of creditable service for periods of employment with a licensing or examining board prior to election to participate in TSERS.

Sections 1(d) and (e) amends G.S. 135-56 pertaining to creditable service purchases in the CJRS in a manner similar to those changes outlined previously.

Section 1(f) amends G.S. 120-4.15 pertaining to the LRS purchase of prior service in a manner similar to those previously described which provide a process on or before December 31, 2019, and a process on and after January 1, 2020. **Section 1(g)** amends G.S. 120-4.16 pertaining to repayments and purchases in the LRS in a manner similar to the above provisions.

Section 1(h) amends G.S. 126-8.5 in the NC Human Resources Act pertaining to the calculation for discontinued service retirement allowance to include an amount to be deposited in the Retiree Health Benefit Fund and requires the salary used to determine discontinued retirement allowance is the same as the average final compensation under G.S. 135-1(5).

Sections 1(i) amends TSERS and **Section 1(j)** amends LGERS membership requirements to remove old language pertaining to members absent from service and clarifying that membership ceases when a member withdraws accumulated contributions, becomes a beneficiary, or dies.

Section 1(k) provides the Retirement Systems Division must accept and process all service purchase request forms that are received on or before December 31, 2019, for all service purchases that are required to have been made by December 31, 2019.

Section 2 pertains to exempting retirement related materials from Rule Making. Section 2 (a) and (b) amend statutes pertaining to the TSERS and LGERS duties of the actuary to provide that experience studies, actuarial calculations, assumptions used by the actuary, including mortality tables, interest rates, annuity factors, the contribution-based benefit cap factor, and similar materials are not subject to rule-making, and provides that materials once accepted are effective the first day of the month following adoption unless a different date is specified and further provides the effective date does not retroactively affect a contribution rate. With regard to payment for the administration of the five-year actuarial investigation and the annual valuation, the Retirement Systems Division may increase receipts from the retirement assets of system or may pay costs directly from the retirement assets.

Section 2(c) amends G.S. 150B-1 to exempt specified actuarial tables, assumptions, methods, and factors from Rule Making. **Section 2(f)** provides that Section 2(c) of the bill is effective when it becomes law and the exemption applies to actuarial tables, assumptions, and contribution-based cap factors changed on

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or after that date. The remainder of Section 2 is effective when it becomes law and applies to actuarial investigations and calculations made on or after that date.

Section 3 amends G.S. 128-28 pertaining to the administration and operation of the LGERS. Subsection (f) of the current law pertains to trustee voting rights. The bill adds a new subsection (f1) pertaining to the effect of a vote related to the contributory death benefit, to provide that no decision of the Board related to the Contributory Death Benefit will take effect unless and until this same decision has been made and voted on by the TSERS Board of Trustees.

Section 4 amends G.S. 143-162.1 which pertains to State agency telephone systems. Subsection (b) of the current law required State agency telephone systems by September 1, 1997, to minimize the number of menus a caller must go through to reach the desired extension and allowed the caller to reach an attendant or operator after accessing not more than two menus. The bill adds a subsection (e) to exempt any call center operated by the Department of State Treasurer from these requirements.

Section 5 amends the TSERS (G.S. 135-1) and LGERS (G.S. 128-21) adding subsections defining "duly acknowledged" to mean notarized, including electronic notarization, or verified through an identity authentication service approved by the Department of State Treasurer.

Section 6 amends the TSERS (G.S. 135-8(f)(3)) and LGERS (G.S. 128-30(g)(3)) pertaining to the collection of contributions to provide that the effective date of an interception of State funds for a contribution-based benefits cap liability will be the later of May 1, 2019, or twelve months after the member's effective date of retirement.

Section 7 amends G.S. 147-68(b) regarding the Treasurer's responsibility to receive and disburse money to allow money to be paid by electronic transfer if there is a legislative appropriation or authority to pay, or an electronic debt initiated by the federal government or by the government of another state to satisfy a bona fide financial obligation of the State.

Section 8 amends Section 5(a) and (b) of S.L. 2017-128, which was the Pensions Integrity Act of 2017, to allow notification to the Retirement Systems Division by the retiring sheriff and the Department of Justice of the election to have accumulated sick leave as a member of LGERS applied to service in the Sheriffs' Supplemental Pension Fund, and to remove the July 1, 2022, sunset on the conversion. This section becomes effective October 1, 2019 and applies to all elections to have sick leave applied to services under the Fund on or after that date.

Section 9 contains a severability clause.

EFFECTIVE DATE: Except as otherwise provided, the bill would become effective when it becomes law.