



This Bill Analysis reflects the contents of the bill as it was presented in committee.

SENATE BILL 379: Retirement Systems Admin. Changes.

2019-2020 General Assembly

Committee:	House Rules, Calendar, and Operations of the House	Date:	June 3, 2020
Introduced by:	Sens. Wells, Johnson	Prepared by:	Tawanda F. Artis
Analysis of:	Second Edition		Staff Attorney

OVERVIEW: Senate Bill 379 makes clarifying and administrative changes to law relating to the State Treasurer, the Teachers' and State Employees' Retirement System (TSERS), the Local Governmental Employees' Retirement System (LGERS), the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), and to related statutes.

BILL ANALYSIS:

Section 1 rewrites the service purchase provisions in TSERS, LGERS, CJRS, and LRS. This section requires a member be an active employee to purchase service and limits the amount of purchases to five years of credit. In addition, restrictions on payment sources are lifted.

Section 1(a) amends the creditable service purchase in TSERS (G.S. 135-4) and does the following:

- Removes outdated language.
- Amends the calculation for the purchase of armed service credit.
- Amends the provisions on withdrawn service purchases. For withdrawn service purchased on and after January 1, 2022, the member must be in service when purchasing withdrawn service and the creditable service purchased may not exceed five years.
 - The member must pay 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 also includes 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.
- Amends the provisions on 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 purchased on or after January 1, 2020. The service must be purchased by paying a total lump sum payment and the creditable service purchased under this subsection may not exceed a total of five years.
- Amends the current law on credit for prior temporary State employment, to limit service credit purchased on or before December 31, 2021.
- Amends the current law on the purchase of part-time service credit to exclude:

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- Part time service rendered as a bus driver to a public school while a full-time high school student.
- Temporary or part time service rendered while a full-time student in pursuit of a degree or diploma in a degree granting program, unless that service was rendered on a permanent part time basis and required at least 20 hours of service per week.
- Makes other changes similar to those outlined above for the purchase of creditable service 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 the LGERS to make the same or similar changes as in **Section 1(a)** for TSERS.

Section 1(c) amends current law on 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 the current law on creditable service purchases in the CJRS to make the same or similar changes as noted above.

Section 1(f) amends the current law on LRS prior service purchase to make the same or similar changes as noted above.

Section 1(g) amends the current law on repayments and purchases in the LRS to make the same or similar changes as noted above.

Section 1(h) amends the current law on 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.

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

and **Section 1(j)** amends LGERS membership requirements to remove old language related 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, 2021, for all service purchases that are required to have been made by December 31, 2021.

Section 2 requires that no decision of the TSERS Board of Trustees or the LGERS Board of Trustees related to the Contributory Death Benefit will take effect unless and until the same decision has been made and voted on by the other board.

Section 3 excludes the Department of State Treasurer call centers from the requirements of the first menu operator access law in G.S. 143-162.1.

Section 4 sets the date for payment of the contribution-based benefit cap liability will be 12 months after the member's effective date of retirement.

Section 5 allows an electronic debit initiated by the federal government or by the government of another state to satisfy a bona fide financial obligation of the State.

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Section 6 removes the sunset in current law that allows sheriffs to use accumulated sick leave for retirement creditable service that typically would be used for LGERS to be used for the Sheriff's Supplemental Pension Fund instead, provided the same leave is not used for both plans. This section becomes effective October 1, 2020, and applies to all elections to have sick leave applied to service under the Sheriffs' Supplemental Pension Fund on or after that date.

Section 7 allows the Retirement System to require an employing agency pay a portion of a return to work overpayment assessed to a retiree if actions by the employer are found to have partially caused the overpayment. Specifically, the Board may do any or all the following:

1. Assess the employer a penalty of 10% of the compensation of the unreported reemployed beneficiaries (minimum penalty of \$25);
2. Reimburse the Retirement System for any retirement allowance paid to the beneficiary during a period when the allowance would have been suspended had the required report been received;
3. Pay any amount that the beneficiary would have been required to pay to the Retirement System had the required report been received.

This section is effective July 1, 2021, and applies to reports required to be made on or after that date.

Section 8 extends the Legislative Enactment Implementation Arrangement (LEIA) for an additional five years. The Board of Trustees cannot direct any employer contributions into the LEIA after November 1, 2026.

Section 9 allows the State Treasurer to obtain criminal background checks on current, prospective permanent or temporary employees, contractors, contractors' agents or employees, volunteers, and others engaged by the Department who have access to confidential health or financial information or data. Also, allows the State Treasurer to deny employment or terminate certain individuals who refuse to consent to a criminal record check or to the use of fingerprints or other identifying information required for the criminal background check.

Section 10 is a severability clause.

EFFECTIVE DATE: Except as otherwise provided, this act is effective when it becomes law.