



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

# SENATE BILL 488: Realistic Evaluation of Actuarial Liabilities.

2019-2020 General Assembly

<b>Committee:</b>	Senate Pensions and Retirement and Aging. If favorable, re-refer to Rules and Operations of the Senate	<b>Date:</b>	May 1, 2019
<b>Introduced by:</b>	Sens. B. Jackson, Wells, Chaudhuri	<b>Prepared by:</b>	Tawanda N. Foster Committee Counsel
<b>Analysis of:</b>	First Edition		

**OVERVIEW:** *Senate Bill 488 does the following:*

- *Requires stress testing for the Teachers' and State Employees' Retirement System (TSERS), as recommended by the Pew Foundation.*
- *Makes amendments related to the pension solvency fund.*
- *And makes various clarifying and technical changes.*

**BILL ANALYSIS:**

PART I. REQUIRE STRESS TESTING OF THE RETIREMENT SYSTEM AS RECOMMENDED BY THE PEW FOUNDATION

**Section 1** adds two new subsections to require a pension stress test study every five years that would test the sustainability of the pension funds before and after every five-year experience review and report the results to the General Assembly and the Governor. This provision would also provide that the cost of producing the report would be paid for from the pension funds. This change in the law is recommended by the Pew Foundation.

PART II. AMENDMENTS RELATED TO THE PENSIONS SOLVENCY FUND

**Section 2(a)** adds a new subdivision to allow rebates the Department receives under the supplemental insurance contract to be transferred into the pension solvency fund.

**Section 2(b)** clarifies the order in which any unencumbered balance in the Public Employee Health Benefit Fund at the end of each fiscal year must be used and allows transfers from the State Health Plan active reserve into the Retiree Health Benefit Trust.

**Section 2(c)** makes the pensions solvency fund non-reverting.

**Section 2(d)** makes this section effective July 1, 2019.

PART III. TECHNICAL CORRECTIONS

**Section 3** clarifies that the State Health plan (SHP) is a governmental plan under federal law. This section also confirms the SHP should determine whether an employer or an employee would increase the risk of an adverse tax ruling prior to the employer or employee being allowed to participate in the Plan.

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# Senate Bill 488

Page 2

**Section 4** updates the language of the Consolidated Judicial Retirement System (CJRS) funding policy statute to be consistent with the 2017 rewrite of TSERS and Local Governmental Employees' Retirement System (LGERS) funding policy statutes.

**Section 5** updates the language of the National Guard Pension Fund's funding policy statute to be consistent with the 2017 rewrite of the TSERS and LGERS funding policy statutes.

**Section 6** adds a new subsection to permit the Retirement System to provide a credit to an employing agency that paid an anti-pension spiking invoice on a retiree who subsequently was subject to a felony forfeiture that would have changed the amount of the anti-pension spiking invoice.

**Section 7** adds a new section to define what constitutes an inactive employer in TSERS and LGERS. It requires an annual report to the Boards of Trustees by the Retirement Director of the agencies that were inactive at any point during the year.

**Section 8** clarifies that building fee revenues should be reported by source and expenditures should be reported by object. This section becomes effective June 30, 2019.

**Section 9** rewrites G.S. 135-18.1(a) to remove sections that applied to pre-1963 configuration of the Retirement Systems.

**Section 10** repeals the following archaic retirement statutes.

- G.S. 135-5.2 – Chapel Hill Utilities & Telephone Employees
- G.S. 135-13 – New Hanover County Teacher Pensions from 1919 & 1921
- G.S. 135-14– Merger of Internal Accounts for Pension Funds in 1983
- G.S. 135-14.1 – Treatment School Superintendents Serving Prior to 1957
- G.S. 135-16– Merger of Internal Funds in 1983
- G.S. 135-18.3– Social Security Referendum in 1955
- G.S. 135– Funding for Social Security Implementation in 1955-1959

**Section 11** removes archaic language related to services for blind employees who served prior to 1971.

**Section 12** makes a technical correction to fix an incorrect reference to a repealed statute.

**Section 13** adds rulemaking provisions into the Community Colleges 403(b) program.

**Section 14** adds a new subsection and makes clarifying changes related to the 2017 provision requiring that chief financial officers of participating employers transmit a copy of pension spiking "watch reports" to chief executive officers and to governing boards and provides that if an agency has a governing board, the report must be transmitted to that board. This section also provides that for purposes of transmitting this report to the agency's governing board, the information contained therein is to be treated as a retirement record as if it were still held by the Retirement System under the public records law.

**Section 15** clarifies the irrevocability provision for employer participation in the State Health Plan.

**Section 16** makes a technical correction to fix an incorrect statute reference.

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