



# HOUSE BILL 1056: Ret. & Treasury Admin. Changes Act of 2022.

2021-2022 General Assembly

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<b>Committee:</b>	House Pensions and Retirement. If favorable, re-fer to Rules, Calendar, and Operations of the House	<b>Date:</b>	May 31, 2022
<b>Introduced by:</b>	Reps. McNeill, C. Smith	<b>Prepared by:</b>	Theresa Matula
<b>Analysis of:</b>	PCS to First Edition H1056-CSSHp-46		Legislative Analyst

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**OVERVIEW:** *House Bill 1056 would allow a limited exception to the irrevocable election to transfer funds from supplemental plans to the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS); make changes related to the reporting of inactive employees in the TSERS and LGERS; establish a default option for employing units that fail to select an option for the transfer of assets when a 403(b) plan is discontinued; clarify the non-assignability of line of duty death benefits for public safety employees; clarify the administration of long-term disability benefits; amend the criteria for agreements for property finders to include signature requirements; and to clarify the Local Government Commission authority as it relates to a request for proposal for a guaranteed energy savings contract that involves a financing agreement.. Except as otherwise provided, the bill would become effective July 1, 2022.*

*The PCS removes Part I of the bill as introduced and renumbers the remaining sections.*

## **BILL ANALYSIS:**

**PART I** pertains to the irrevocable election to transfer accumulated contributions from supplemental plans to the Teachers' and State Employees' Retirement System (TSERS) or the Local Governmental Employees Retirement System (LGERS).

**Section 1.1 and 1.2** amend TSERS as it relates to the transfer of contributions from supplemental retirement plans to the TSERS. **Section 1.1** amends the special retirement allowance for law enforcement officers, and **Section 1.2** amends the special retirement allowance, to provide that for transfers made on or after July 1, 2022, if, subsequent to the member's election, the Board of Trustees determines that (i) the member was ineligible for the election or (ii) the election was impermissible for any reason, then no special retirement allowance will be paid and the member must return any amount already paid as a special retirement allowance. The Retirement System is required return the transfer amount to the source of the transfer, if unable to return the amount, the member may designate another eligible account or receive a lump sum distribution.

**Sections 1.3 and 1.4** make the changes outlined above for LGERS.

**Part II** makes changes related to the reporting of inactive employees in the TSERS and LGERS.

**Section 2.1** amends the TSERS statutes pertaining to inactive employees and **Section 2.2** amends the LGERS statutes pertaining to inactive employees.

The changes are as follows:

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- Provides that an employer is deemed an inactive employer if they fail to report in the case of TSERS, or have made no report in the case of LGERS, of any qualifying employees for six consecutive months.
- Requires the Retirement Systems Division to notify all employers who were reported to the Board as inactive employers not later than May 15 each year. Allows an employer reported as inactive to apply to extend inactive status for up to one year by submitting, on or before June 30 of that year, satisfactory evidence of the employer's intention to hire an employee in a position qualifying for membership service.
- Requires the Board to determine whether to grant any applications to extend the period of an employer's inactive status not later than July 31 each year.
- On October 1, an employer on the most recent report of inactive employers that has not resumed reporting eligible employees and has not had inactive status extended, must cease participation in the in the System with a complete withdrawal of October 1.

This Part becomes effective December 31, 2022.

**PART III** establishes a default option for employing units that fail to select an option for the transfer of assets when a 403(b) plan is discontinued.

**Section 3.1** amends the law for local boards of education, and **Section 3.2** amends the law for local boards of trustees for community colleges, that offer section 403(b) retirement annuities and/or mutual funds to their employees. The section provides that if the Department of State Treasurer and the Supplemental Retirement Board of Trustees elect to discontinue offering the NC Public School Teachers' and Professional Educators' Investment Plan, local boards that continue their 403(b) plan must designate another investment provider in their 403(b) plan to receive any assets remaining in their 403(b) plan upon the discontinuation. The Department of State Treasurer and the Supplemental Retirement Board of Trustees may transfer the remaining assets on behalf of the local school board to an individual retirement account selected in a vendor solicitation if a board that fails to designate another investment provider.

**PART IV** clarifies the non-assignability of line of duty death benefits for public safety employees.

**Section 4.1** amends the payments and determination statute in the Public Safety Employees' Death Benefits Act to provide that except as otherwise allowed, the State Treasurer is prohibited from paying or distributing a death benefit to any person other than the beneficiary or the beneficiary's parent or legal guardian.

**PART V** clarifies the administration of long-term disability benefits following enactment of S.L. 2007-325.

**Section 5.1** amends long-term disability benefits statutes under the Disability Income Plan. This section provides that notwithstanding any law to the contrary, the provisions of the long-term disability benefits section that were in effect on July 31, 2007, will apply to any beneficiary or participant with at least five years of membership service as of July 31, 2007, and who has not withdrawn contributions for such service from the Retirement System.

**PART VI** amends the criteria for agreements for property finders as it relates to signature requirements.

**Section 6.1** amends the law that outlines the criteria for agreements to locate property between property finders and owners or apparent owners. Agreements are void and unenforceable if they do not meet all of criteria specified in the law. This section adds a requirement that the agreements must be signed by a licensed private investigator authorized to bind the property finder and the signature must be notarized.

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**Part VII** makes changes related to the Local Government Commission (LGC) approval of certain contracts.

**Section 7.1** adds language to specify that the LGC may deny the application of any local school administrative unit or community college that fails to comply with the requirement that prior to issuing a request for proposal for solicitation of a guaranteed energy savings contract that involves a financing agreement, a local school administrative unit or community college must notify the LGC of its intent to do so 15 days in advance (G.S. 143-64.17A).

**Part VII** contains a severability clause.

**Section 8.1** is the severability clause providing that if any portion of the bill or its application is held invalid, the invalidity does not affect other provisions.

**EFFECTIVE DATE:** Except as otherwise provided, the bill would become effective July 1, 2022.