



HOUSE BILL 989: Retirement Service Purchase Rewrite Part III.

2023-2024 General Assembly

Committee: Senate Pensions and Retirement and Aging. If **Date:** June 5, 2024
favorable, re-refer to Rules and Operations of
the Senate

Introduced by: Rep. Carson Smith

Prepared by: Jason Moran-Bates

Analysis of: First Edition

Committee Staff

OVERVIEW: House Bill 989 would recodify, consolidate, and standardize retirement service purchase among the Teachers and State Employees' Retirement System (TSERS) (Part I), Local Governmental Employees' Retirement System (LGERS) (Part II), Consolidated Judicial Retirement System (CJRS) (Part III), and Legislative Retirement System (Part IV). It would also make conforming changes to all four systems. This bill would be the last in a three-bill series rewriting the service purchase statutes.

PART I: TSERS CHANGES

BACKGROUND: There are 17 situations under current law in which service credit can be purchased in TSERS that are amended by H989: (1) extended illness; (2) federal or other state service; (3) parental leave, pregnancy, childbirth-related leave, or certain involuntary furloughs; (4) probationary local government employee waiting period; (5) active-duty military service; (6) charter school employment; (7) service omitted through error; (8) part-time service; (9) out-of-state service; (10) past educational leave; (11) retroactive membership service; (12) temporary employment; (13) service withdrawn from another retirement plan; (14) service withdrawn from the University of North Carolina Optional Retirement Plan; (15) service while on workers' compensation; (16) rollover contribution from other plans; and (17) plan-to-plan service credit.

Under current law, there are several features for service credit purchase: (1) whether members must be in-service when making the credit purchase; (2) whether a five-year service credit limit applies; (3) whether the employer can contribute to the purchase cost; (4) whether an administrative fee can be charged; (5) whether the full actuarial cost of the service purchase must be paid.

CURRENT LAW AND BILL ANALYSIS: The charts below will provide a visual analysis of each type of service credit by showing which features are part of current law, and which would be adopted under H989. Changes are **bold and underlined**. In addition to those changes, all types of service credit purchase would be recodified from G.S. 135-4 to G.S. 135-4.5 unless otherwise noted. Only technical changes would be made to the workers' compensation, rollover contribution from other plans, and plan-to-plan service credit purchase statutes.

Jeffrey Hudson
Director



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Legislative Analysis
Division
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Extended Illness

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	Yes	Yes	Yes	Yes	
Under H989	Yes	Yes	Yes	Yes	Yes	<u>Only change is recodification.</u>

Federal or Other State Service

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	Yes	Yes	Yes	Yes	
Under H989	Yes	Yes	Yes	Yes	Yes	<u>Only change is recodification.</u>

Involuntary Furlough

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	Yes	Yes	Yes	Yes	
Under H989	Yes	Yes	Yes	Yes	Yes	<u>Split off from parental and pregnancy credit.</u>

Probationary Local Government Employee Waiting Period

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	No	No	Yes	Yes	Yes	
Under H989	<u>Yes</u>	<u>Yes</u>	Yes	Yes	Yes	<u>In service requirement is clarified under H989.</u>

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Active-Duty Military Service

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	No	No	No	No	No	
Under H989	No	No	No	No	No	<u>Service credit purchase would only be available through December 31, 2038.</u>

Charter School Employment

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	Yes	Yes	No	Yes	
Under H989	Yes	Yes	Yes	<u>Yes</u>	Yes	

Service Omitted Through Error

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	No	No	Yes	Yes	Yes	
Under H989	No	No	Yes	Yes	Yes	<u>Technical changes to admin fee and actuarial cost language.</u>

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Out-of-State Service

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	Yes	Yes	Yes	Yes	
Under H989	Yes	Yes	Yes	Yes	Yes	<u>Only change is recodification.</u>

Parental Leave, Pregnancy, and Childbirth

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	Yes	Yes	Yes	Yes	
Under H989	Yes	Yes	Yes	Yes	Yes	<u>Split off from involuntary furlough.</u>

Part-Time Service

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	No	Yes	Yes	Yes	
Under H989	Yes	<u>Yes</u>	Yes	Yes	Yes	

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Past Educational Leave

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	No	No	No	Yes	Yes	
Under H989	No	No	No	Yes	Yes	<u>Not recodified; technical changes to actuarial cost language; service credit purchase would only be available through December 31, 2038.</u>

Retroactive Membership Service

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	No	No	Yes	Yes	Yes	
Under H989	No	No	Yes	Yes	Yes	<u>Only change is recodification.</u>

Temporary Employment

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	Yes	Yes	Yes	Yes	
Under H989	Yes	Yes	Yes	Yes	Yes	<u>Only change is recodification.</u>

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Service Withdrawn from Another Retirement Plan

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	Yes	Yes	Yes	Yes	
Under H989	Yes	Yes	Yes	Yes	Yes	<u>Only change is recodification.</u>

Service Withdrawn from UNC Optional Retirement Plan

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	Yes	Yes	Yes	Yes	
Under H989	Yes	Yes	Yes	Yes	Yes	<u>Only change is recodification.</u>

PART II: LGERS CHANGES

BACKGROUND: There are 14 situations under current law in which service credit can be purchased in LGERS that are amended by H989: (1) federal service; (2) probationary local government employee waiting period; (3) active-duty military service; (4) service with a non-participating local government unit; (5) service omitted through error; (6) out-of-state service; (7) part-time service; (8) past educational leave; (9) retroactive membership service; (10) temporary employment; (11) service withdrawn from another retirement plan; (12) service while on workers' compensation; (13) rollover contributions from certain plans; and (14) plan-to-plan service credit.

Under current law, there are several features for service credit purchase: (1) whether members must be in-service when making the credit purchase; (2) whether a five-year service credit limit applies; (3) whether the employer can contribute to the purchase cost; (4) whether an administrative fee can be charged; (5) whether the full actuarial cost of the service purchase must be paid.

CURRENT LAW AND BILL ANALYSIS: The charts below will provide a visual analysis of each type of service credit by showing which features are part of current law, and which would be adopted under H989. Changes are **bold and underlined**. In addition to those changes, all types of service credit purchase would be recodified from G.S. 128-26 to G.S. 128-26.5 unless otherwise noted. Only technical changes would be made to the workers' compensation, rollover contribution from other plans, and plan-to-plan service credit purchase statutes. Service purchase credit with all five features would be created for certain involuntary furloughs.

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Federal Service

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	Yes	Yes	Yes	Yes	
Under H989	Yes	Yes	Yes	Yes	Yes	<u>Only change is recodification.</u>

Probationary Local Government Employee Waiting Period

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	Yes	Yes	Yes	Yes	
Under H989	Yes	Yes	Yes	Yes	Yes	<u>Only change is recodification.</u>

Active-Duty Military Service

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	No	No	No	No	No	
Under H989	No	No	No	No	No	<u>Service credit purchase would only be available through December 31, 2038.</u>

Non-Participating Local Government Unit

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	Yes	Yes	Yes	Yes	
Under H989	Yes	Yes	Yes	Yes	Yes	<u>Only change is recodification.</u>

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Service Omitted Through Error

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	No	No	Yes	Yes	Yes	
Under H989	No	No	Yes	Yes	Yes	<u>Technical changes to admin fee and actuarial cost language.</u>

Out-of-State Service

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	Yes	Yes	Yes	Yes	
Under H989	Yes	Yes	Yes	Yes	Yes	<u>Only change is recodification.</u>

Part-Time Service

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	No	Yes	Yes	Yes	
Under H989	Yes	<u>Yes</u>	Yes	Yes	Yes	

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Past Educational Leave

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	No	No	No	Yes	Yes	
Under H989	No	No	No	Yes	Yes	<u>Not recodified; technical changes to employer contribution and actuarial cost language; service credit purchase would only be available through December 31, 2038.</u>

Retroactive Membership Service

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	No	No	Yes	Yes	Yes	
Under H989	No	No	Yes	Yes	Yes	<u>Only change is recodification.</u>

Temporary Employment

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	Yes	Yes	Yes	Yes	
Under H989	Yes	Yes	Yes	Yes	Yes	<u>Only change is recodification.</u>

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Service Withdrawn from Another Retirement Plan

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	Yes	Yes	Yes	Yes	
Under H989	Yes	Yes	Yes	Yes	Yes	<u>Only change is recodification.</u>

Service Withdrawn from Another Retirement Plan

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	Yes	Yes	Yes	Yes	Yes	
Under H989	Yes	Yes	Yes	Yes	Yes	<u>Only change is recodification.</u>

PART III: CJRS CHANGES

BACKGROUND: There are 14 situations under current law in which service credit can be purchased in CJRS that are amended by H989: (1) service not otherwise creditable; (2) service withdrawn from another retirement plan; (3) service with the federal government or government of any other state; (4) rollover contributions from certain plans; and (5) plan-to-plan service credit.

Under current law, there are several features for service credit purchase: (1) whether members must be in-service when making the credit purchase; (2) whether a five-year service credit limit applies; (3) whether the employer can contribute to the purchase cost; (4) whether an administrative fee can be charged; (5) whether the full actuarial cost of the service purchase must be paid.

CURRENT LAW AND BILL ANALYSIS: The charts below will provide a visual analysis of each type of service credit by showing which features are part of current law, and which would be adopted under H989. Changes are **bold and underlined**. In addition to those changes, all types of service credit purchase would be recodified from G.S. 135-56.2 to G.S. 135-70.1 unless otherwise noted. Only technical changes would be made to the rollover contribution from other plans and plan-to-plan service credit purchase statutes. Service purchase credit with all five features would be created for (1) part-time service; (2) temporary service; (3) probationary local government employee waiting periods; (4) certain involuntary furloughs; (5) extended illness; (6) charter school service; (7) service withdrawn from the UNC Optional Retirement System; (8) service omitted through error; and (9) parental leave, pregnancy, childbirth-related leave.

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Service Not Otherwise Creditable

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	No	No	No	Yes	Yes	
Under H989	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	Yes	Yes	

Service Withdrawn from Another Plan

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	No	No	Yes	No	Yes	
Under H989	<u>Yes</u>	<u>Yes</u>	Yes	<u>Yes</u>	Yes	<u>Technical changes also made.</u>

Service with the Federal Government or Government of Another State

	In-service requirement	5-year service credit limit	Employer contribution	Admin fee	Full actuarial cost	Notes
Current Law	No	No	Yes	No	Yes	
Under H989	<u>Yes</u>	<u>Yes</u>	Yes	<u>Yes</u>	Yes	<u>Technical changes also made.</u>

PART IV: LRS CHANGES

CURRENT LAW AND BILL ANALYSIS: Under current law members of the Legislative Retirement System who have eight years of creditable service as General Assembly members can purchase service credit for time as armed forces members by paying less full actuarial cost of the credit purchased. H989 would require payment of the full actuarial cost and an administrative fee. The employer would be able to contribute to the purchase. Currently withdrawn service may be purchased by paying the full actuarial cost and an administrative fee. The employer may contribute to the purchase. H989 would add requirements that the member purchasing the service to be a current member of LRS and limit the purchasable credit to five years.

PART V: CONFORMING CHANGES

BILL ANALYSIS: Part V makes conforming changes throughout Chapter 135 and allows the Revisor of Statutes to replace references when necessary.

EFFECTIVE DATE: The act would be effective when it becomes law.