

**RETIREMENT SYSTEMS DIVISION****STEVEN C. TOOLE**  
EXECUTIVE DIRECTOR**Financial Accountability, Integrity, and Recovery Act -AB****Section 1: Name and Proper Citation of the Act**

The section does not contain any public policy changes.

**Section 2: Simplify Garnishment of Wages of State & Local Government Employees to Recover SHP/RSD Claims & Overpayments**

135-48.37A; 135-7.3; 135-111; 128-29.2

Garnishment of wages of state and local government employees is allowed under current law, but employing agencies may choose not to allow the garnishment. This provision would require agencies to garnish wages of employees if monies are owed to the State Health Plan or the Retirement Systems Division.

**Section 3: Increase Subrogation Rights for SHP Vendors Involved in Collections of Fraudulent Claims**

135-48.37(e) [NEW]; [or include in (d)]

Improves the ability of vendors working on collections on behalf of the State Health Plan to use the power of the state to facilitate collections.

**Section 4: Interception of Credit Card Receipts from SHP Providers/RSD Employers for Funds Owed**

1-359(c) & (d) [NEW]

Allows SHP/RSD to intercept credit card receipts from providers and employing agencies to collect funds owed to the state. A similar provision has been successfully utilized by the Division of Employment Security.

**Section 5: Place Liens on Real Property for Funds Owed to SHP**

44-49(a); 44-50; 44-50.1; 44-51

Enhances ability of SHP/RSD to place liens on real estate owned by individuals who owe funds to the State Health Plan.

**Section 6: Felony Forfeiture/Prohibit Re-purchase of Service**

135-18.10; 135-18.10A; 128-38.4A; 128-38.4A; 135-75.1; 135-75.1A; 120-4.33; 120-4.33A; 58-86-100

Prohibits re-purchase of retirement creditable service that has been forfeited due to a felony conviction.

**Section 7: Eliminate ORP Reciprocity with TSERS/New Hires**

135-4.1

Prohibits use of service rendered while participating in the University or Community College Optional Retirement Program (ORP) toward determining benefit eligibility for TSERS. This change applies to members first hired on or after January 1, 2021. TSERS currently receives no additional funds from the University to cover the cost to the Retirement System to provide this benefit.

**Section 8: Restrict Settlement Agreements Involving SHP**

135-48.46

Requires settlement agreements in employee grievance cases that affect the State Health Plan be approved by the Executive Administrator of the Plan.

**Section 9: CBBC: Multiple Employer Anti-Pension Spiking CBBC Liability**

135-5(a3); 128-27(a3)

Clarifies treatment of CBBC liabilities generated when a member has multiple employers. The change specifies that the CBBC liability only applies if it is generated on a member's service to one employer at a time or when the salary earned by the member from one of the member's employers exceeds the CBBC salary threshold.

## **Section 10: Disability Changes**

### **Synchronize Short-Term Disability Filing Period with Long-Term Filing Period**

*135-105; 135-106 (135-106 is not amended, but is implicated by the change)*

Limits the time period for application for DIPNC Short-Term Disability to no longer than six months after termination of employment. Limits the time period for application for DIPNC Long-Term Disability to the earlier of no longer than six months after termination of employment or six months after the end of Short-Term Disability.

### **Employers Pay for Entire Short Term Disability Period**

*135-105*

Currently, during the second six months of DIPNC Short-Term Disability, employers are reimbursed for the cost of providing the benefit from the disability plan trust. This change would halt reimbursements of employers for the second six months of Short-Term Disability

---

**RETIREMENT SYSTEMS DIVISION****STEVEN C. TOOLE**  
EXECUTIVE DIRECTOR

## **Retirement Complexity Reduction Act of 2018 -AB**

### **Section 1: 150B Exemption for Actuarial Factors/Clarify CBBC as Actuarial Factor**

*135-6(l); 128-28(m); 150B-1(d)(29) [New];*

Clarifies that actuarial factors selected by the Board of Trustees do not require rule-making. Further clarifies that the anti-pension spiking benefit cap factor set by Board of Trustees is an actuarial factor.

### **Section 2: Pension Spiking Report "If Applicable" Clarification/Public Records Clarification**

*135-6.1; 135-8(f)(2)f.; 135-8(i); 128-30(g)(2)b.; 128-33.1; 128-30(i)*

Clarifies that 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 means that if an agency has a governing board, the report must be transmitted to that board. Further 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 3: Confirm Irrevocability of Local Government Participation in SHP**

*135-48.47*

Increases the transparency of the irrevocability provision for employer participation in the State Health Plan.

### **Section 4: Background Checks for Treasury Employees**

*147-75.1 [New]*

Allows the Department of State Treasurer to obtain criminal background checks on employees.

**RETIREMENT SYSTEMS DIVISION****STEVEN C. TOOLE**  
EXECUTIVE DIRECTOR**HB 977 – Admin. Changes Retirement System/Treasurer – 2018 -AB****Section 1: Close Optional Retirement Program for Community College Presidents**

135-5.4

Closes the Optional Retirement Program for Community College Presidents (CC ORP) to newly hired Presidents after June 30, 2018. Presidents hired after that date will participate in the Teachers' and State Employees' Retirement System (TSERS) instead of being able to choose the CC ORP. There are only four members of the CC ORP and none are currently serving as Community College Presidents. Due to the low participation rate, the program has difficulty achieving sufficient economies of scale to be an attractive option for members and is being closed to reduce administrative burden on the Community College System. This change has been endorsed by the community college presidents and the State Board of Community Colleges.

**Section 2: Felony Forfeiture Modifications**

135-18.10; 128-38.4; 161-50.4, 50.5

Adds convictions on state charges of embezzlement to the enumerated list of reasons that an elected official's TSERS or Local Governmental Employees' Retirement System (LGERS) pension could be forfeited. Further provides that if any portion of elected Register of Deeds' LGERS benefit is forfeited, then that member's entire Register of Deeds Supplemental Pension benefit is also forfeited.

**Section 3: Withdrawal Liability Payment Plans/Charter Schools**

135-5.3(f)

When a charter school withdraws from the Retirement System under G.S. 135-8(i), the school must bear the full cost of future investment risk to the Retirement System to pay for service earned by school employees while the school participated in the Retirement System rather than leaving that risk behind to be reallocated to all other employing agencies.

This new provision allows for payment plans to satisfy withdrawal liabilities with the following provisos:

1. Retirement System Board of Trustees must approve payment plans;
2. as of the date of Retirement Board action, employees of the agency would no longer earn retirement service credit;
3. payment plans would be only available if a withdrawal liability exceeds \$2 million;
4. 50 percent of the withdrawal liability as calculated under G.S. 135-8(i) must be paid up front;
5. the agency may make no more than 36 equal monthly payments of the remaining amount;
6. the Retirement System will put a lien on real property owned by the school in the event that the school fails to pay; and
7. the Retirement System will use existing law allowing interception of public school allotments if school fails to pay and is still receiving funds from the state.

**Section 4: Conform Passive Index Strategies Definition in Iran & Sudan Divestment Acts**

147-86.57(7); 147-86.42(5a)

Clarifies that the Department's new internally-managed index strategy is consistent with the Iran and Sudan Divestment Acts.

**Section 5: SRP Fee Clarification**

*143B-426.24(h2) [New]; 115C-341.2(c) [New]*

Clarifies that the fee-setting authority granted to the Board of Trustees of the Supplemental Retirement Plans extends to all plans and programs under the purview of the Board. This is a standing interpretation of current statutes that is being codified for additional transparency.

**Section 6: LGC/NCCFFA Board Liability Protection**

*159-3(a) [New]; 159D 38(f) [New]*

Provides personal immunity from civil liabilities for decisions made by members of the Local Government Commission (LGC) and the Board of Directors of the North Carolina Capital Facilities Finance Agency (NCCFFA) for actions taken in their official capacity.

**Section 7: Federal Law Compliance Provision for ACA**

*135-48.48.4 [New]*

Creates new statute explicitly allowing preemption of state law to comply with provisions of the federal Affordable Care Act.

**Section 8: Eliminate Statutory Requirement to Have Deputy Executive Administrator of SHP**

*135-48.23; 126-5(c1)(23)*

Eliminates statutory requirement that the State Health Plan have a Deputy Executive Administrator. This requirement predates the inclusion of the Plan within the Department of State Treasurer.

**Section 9: SHP Board Qualifications**

*135-48.20(j)*

Adjusts qualification statutes for the State Health Plan Board of Trustees to include a requirement that one member be a medical doctor and that one member must have a background in actuarial science or health economics.

**Section 10: NC Health Information Exchange Advisory Board/Add Executive Administrator of SHP as Ex Officio Voting Member**

*90-414.8*

Adds the Executive Administrator of the State Health Plan as an ex-officio voting member NC Health Information Exchange Advisory Board.

*Prepared by staff of the Department of State Treasurer 5/22/2018*

**RETIREMENT SYSTEMS DIVISION****STEVEN C. TOOLE**  
EXECUTIVE DIRECTOR**HB 985 – Retirement Technical Corrections Act of 2018 -AB****Section 1: Clarify that 135-108 includes Extended Short-Term Disability/Excludes Regular Short-Term Disability***135-108*

Clarifies that governance of post-disability benefit adjustments for recipients of Disability Income Plan of North Carolina (DIPNC) extended short-term disability is the responsibility of the Teachers and State Employees' Retirement System (TSERS) Board. This is a standing interpretation of current statutes that is being codified for additional transparency. It affects fewer than 200 people per year.

**Section 2: Conform Statement of Income Requirements in LGERS Disability to DIPNC***128-27(e)(4)*

Conforms Statement of Income deadline requirements in LGERS to DIPNC requirements enacted in 2016 to facilitate parallel administration of both programs. This change would provide an administrative efficiency by not requiring submission of forms using different deadlines.

**Section 3: Clarify Treatment of Military Service Purchase/CBBC***135-5(a3); 128-27(a3)*

Clarifies that purchased military service is treated as creditable service rather than membership service for purposes of calculating an anti-pension spiking contribution-based benefit cap (CBBC) liability. This clarifies that purchased military service is treated like all other service purchases in the Retirement System and, consequently, does not negatively impact the member or the member's employer under the anti-pension spiking law.

**Section 4: Clarify Separation of Service Requirement for CJRS Members Returning to Work in the ORP***135-53(16)*

Clarifies that the same standard separation of service provision used for the Consolidated Judicial Retirement System (CJRS) applies when a retired judicial branch member is re-employed in an Optional Retirement Plan-eligible position as when the member is re-employed in a TSERS-eligible position.

**Section 5: Remove Archaic Legislative Service Purchase Provision***120-4.14*

Removes archaic service purchase provision from the Legislative Retirement System (LRS) that only applied to members serving prior to 1975. The Department believes no living persons are still eligible to use this provision.

**Section 6: Update State Health Plan Reporting Requirement***135-48.23*

Updates State Health Plan quarterly reporting requirement to eliminate the separate reporting that was formerly needed when the Plan was an independent agency. Legislative staff agree report is no longer useful.

**Section 7: Remove Archaic Prior Service Provision***135-4(c)*

Removes archaic service purchase provision from TSERS that only applied to members working for state or local government prior to 1941. The Department believes no living persons are eligible to use this provision.

**Section 8: Fix Typo in LGERS/TSERS Public Records Law**

135-4(c)

Changes reference in LGERS and TSERS public records laws to include records regarding "state employees" and "local government employees" since many individuals have rendered service to both systems.

**Section 9: Clarify FRSWPF Line-of-Duty Survivor Benefit**

58-86

Clarifies that a line-of-duty survivor benefit in the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) cannot be paid if a refund has been paid.

**Section 10: Clarify that Board Members are not Employees for Retirement Purposes**

135-1(20)

Clarifies that members of Boards and Commissions are not considered employees for retirement purposes.

**Section 11: Eliminate Report that is No Longer Needed**

135-5(m2); 128-27(m2)

Eliminates report to General Assembly on the transfer benefit. Legislative staff agree report is no longer useful.

**Section 12: Fix Typo in LGERS Board of Trustees Rule Making Statute**

128-28(g)

Corrects reference from Chapter to Article of the statutes.

**Section 13: Fix Typo in LGERS Anti-Pension Spiking Law**

128-30(j)

Corrects statute reference.

**Section 14: Fix Typo in TSERS Anti-Pension Spiking Law**

128-30(j)

Corrects statute reference.

*Prepared by Staff of the Department of State Treasurer 5/22/2018*