



## RETIREMENT SYSTEMS DIVISION

STEVEN C. TOOLE  
EXECUTIVE DIRECTOR

### MEMORANDUM

TO: Teachers' and State Employees' Retirement System (TSERS) and Local Governmental Employees' Retirement System (LGERS) Boards of Trustees

FROM: Patrick Kinlaw, FSA, Director of Policy, Planning and Compliance

DATE: January 31, 2019

SUBJECT: Statutory "Date Set by Board of Trustees" for Interception of Delinquent Contribution-Based Benefit Cap (CBBC) Contributions

At the October 27, 2016, meeting of the TSERS and LGERS Boards of Trustees, both Boards adopted the following policies with regard to the process of intercepting delinquent employer contributions. (Further background presented to the Boards in October 2016 is attached to this memo and is available online as a document in the public materials for the October 27, 2016, board meetings, entitled "Intercept Authority Policy Implementation.")

- (1) Effective January 1, 2017, the Board establishes the "date set by the Board of Trustees" to intercept delinquent CBBC contributions to be twelve months after the member's effective date of retirement.
- (2) Effective January 1, 2017, the Board establishes the "date set by the Board of Trustees" to intercept other delinquent contributions or payments to be 90 days after final notice that other contributions or payments are due to the Retirement Systems Division.

Some employers have not paid CBBC contributions that were first due before the Boards' administrative rules pertaining to the "cap factor" for TSERS and LGERS were adopted. Recognizing that interception of state appropriations should be reserved for extreme circumstances, staff recommends that the Boards allow additional time for employers to make delinquent CBBC contributions after the adoption of the administrative rules, before the Retirement Systems Division begins the interception process.

### Recommendation for TSERS

Staff recommends that the TSERS Board amend its policy related to the interception of delinquent CBBC contributions as follows (with underlined portions being added and crossed-out portions being deleted):

- (1) ~~Effective January 1, 2017,~~ January 31, 2019, the Board establishes the "date set by the Board of Trustees" to intercept delinquent CBBC contributions to be the later of December 1, 2019, or twelve months after the member's effective date of retirement.

Under this recommendation, the policy related to the interception of other delinquent contributions or payments would not be amended. Therefore, the entire recommended policy is:

- (1) Effective January 31, 2019, the Board establishes the “date set by the Board of Trustees” to intercept delinquent CBBC contributions to be the later of December 1, 2019, or twelve months after the member’s effective date of retirement.
- (2) Effective January 1, 2017, the Board establishes the “date set by the Board of Trustees” to intercept other delinquent contributions or payments to be 90 days after final notice that other contributions or payments are due to the Retirement Systems Division.

### **Recommendation for LGERS**

Staff recommends that the LGERS Board amend its policy related to the interception of delinquent CBBC contributions as follows (with underlined portions being added and crossed-out portions being deleted):

- (1) *Effective ~~January 1, 2017,~~ January 31, 2019, the Board establishes the “date set by the Board of Trustees” to intercept delinquent CBBC contributions to be the later of May 1, 2019, or twelve months after the member’s effective date of retirement.*

Under this recommendation, the policy related to the interception of other delinquent contributions or payments would not be amended. Therefore, the entire recommended policy is:

- (1) Effective January 31, 2019, the Board establishes the “date set by the Board of Trustees” to intercept delinquent CBBC contributions to be the later of May 1, 2019, or twelve months after the member’s effective date of retirement.
- (2) Effective January 1, 2017, the Board establishes the “date set by the Board of Trustees” to intercept other delinquent contributions or payments to be 90 days after final notice that other contributions or payments are due to the Retirement Systems Division.

**Attachment:** “Intercept Authority Policy Implementation” from October 27, 2016, meetings of the TSERS and LGERS Boards of Trustees, available online at:  
[https://www.nctreasurer.com/ret/Board\\_of\\_Trustees/InterceptAuthorityPolicyImplementation.pdf](https://www.nctreasurer.com/ret/Board_of_Trustees/InterceptAuthorityPolicyImplementation.pdf)