



North Carolina
Total Retirement Plans

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

Digest of 2017 Legislative Action Affecting Members of the Teachers' and State Employees' Retirement System (TSERS)

Employer Contributions to the Retirement System for the 2017-2018 Fiscal Year

Included in Section 35.19 and of the 2017 Appropriations Act - Senate Bill 257 (Session Law 2017-57)

State employer contribution rate for **teachers and state employees** from July 1, 2017, to June 30, 2018 = 17.13%, which comprises the following:

Retirement System Pension Fund	10.78%
Death Benefit Trust Fund	0.16%
Retiree Health Benefit Fund	6.05%
Disability Income Plan	<u>0.14%</u>
Total	17.13% from July 1, 2017, to June 30, 2018

An additional five percent employer contribution for state-employed law enforcement officers is required in the NC 401(k) Plan.

State employer contribution rate for **state-employed law enforcement officers** from July 1, 2017, to June 30, 2018 = 22.13%, which comprises the following:

Retirement System Pension Fund	10.78%
Death Benefit Trust Fund	0.16%
Retiree Health Benefit Fund	6.05%
Disability Income Plan	0.14%
NC 401(k) Plan	<u>5.00%</u> Payable to Prudential Retirement
Total	22.13% from July 1, 2017, to June 30, 2018 (17.13% payable to Retirement System)

For University and Community College Optional Retirement Program members from July 1, 2017, to June 30, 2018, the total employer contribution rate = 13.03%; of this amount, the following is paid to the Retirement Systems Division:

Retiree Health Benefit Fund	6.05%
Disability Income Plan	<u>.14%</u>
Total	6.19% from July 1, 2017, to June 30, 2018

Repeal Retiree Medical Benefit for Employees First Hired January 1, 2021

Included in 35.21 (c) & (d) of the 2017 Appropriations Act - Senate Bill 257 (Session Law 2017-57)

If an eligible TSERS member leaves employment and receives a refund on retirement contributions (withdraws service) before January 1, 2021, and then is hired back after January 1, 2021, they will not be eligible for retiree medical benefits.

Full description:

Amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), the Consolidated Judicial Retirement System, and the Legislative Retirement System prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. *Consequently, members first hired on and after January 1, 2021, will not be eligible to receive retiree medical benefits.*

Enhance the Benefits of Probation/Parole Officers who are members of TSERS

Included in Section 35.19 of the 2017 Appropriations Act - Senate Bill 257 (Session Law 2017-57)

For service earned from July 1, 2017, on, probation and parole officers are now considered law enforcement officers, and are eligible for LEO benefits under TSERS, except the 401(k) benefits currently available for LEOs.

Full description:

Defines a probation/parole officer for retirement benefit purposes and changes the definition of law-enforcement officer in G.S. 135-1(11c) to include probation/parole officers with respect to service rendered on or after July 1, 2017. Changing the definition of law-enforcement officer has the following impacts in other areas of the General Statutes:

- G.S. 135-5(b19) says “A member who is a law enforcement officer” will be eligible for unreduced retirement at age 55 with five years of service as a law enforcement officer or reduced retirement at age 50 with 15 years of service as a law enforcement officer. Because G.S. 135-5 is in the same chapter as G.S. 135-1(11c), changing the definition of law enforcement officer extends those retirement age provisions to probation/parole officers.
- G.S. 143-166.41(a) says that the separation allowance is available to “every sworn law-enforcement officer as defined by G.S. 135-1(11c)...” By changing the definition in G.S. 135-1(11c), this section causes probation/parole officers to start earning service toward the separation allowance. While only service on or after July 1, 2017, counts toward the requirement to have five years of law enforcement service immediately prior to retirement, probation/parole officer service prior to July 1, 2017 will count toward the requirement that half of an employee’s career be as a law enforcement officer.
- G.S. 143-166.60 says that the Separate Insurance Benefits Plan (SIBP) is established for “all law enforcement officers, as defined in G.S. 135-1(11c)...” By changing the definition in G.S. 135-1(11c), the bill makes probation/parole officers eligible for the SIBP.

The bill does not change the definition of law enforcement officer in G.S. 143-166.30(a)(4). That is the definition that applies to the NC 401(k) Plan. Thus, the bill does not extend the law-enforcement 401(k) benefits to probation/parole officers.

Because the bill only changes the definition of law enforcement officer with respect to service rendered on or after July 1, 2017, most probation/parole officers will have to work for at least five more years to be eligible to retire at a different age or receive the separation allowance.

Special Annual Leave Bonus

Included in Section 35.18 of the 2017 Appropriations Act - Senate Bill 257 (Session Law 2017-57)

Bonus leave granted on July 1, 2017, will not be paid out at retirement, or used in retirement calculations, and will not be paid out if the employee separates from employment.

Full description:

Any person who is (1) a full-time, permanent employee of the state, a community college, or a local board of education on July 1, 2017, and (2) eligible to earn annual leave will have a one-time additional three days of annual leave credited on July 1, 2017. The additional leave granted in this act must be accounted for separately with the leave provided by:

- Section 28.3A of S.L. 2002-126,
- Section 30.12B(a) of S.L. 2003-284,
- Section 29.14A of S.L. 2005-276, and
- Section 35.10A of S.L. 2014-100.

The leave will remain available during the length of the employee's employment, notwithstanding any other limitation on the total number of days of annual leave that may be carried forward. Part-time, permanent employees will receive a prorated amount of the three days. The additional leave awarded under this section has no cash value, is not eligible for cash in and will not be included in the calculation of a member's benefit at retirement. If not used prior to the time of separation or retirement, the bonus leave cannot be paid out and will not be included in the calculation of a member's benefits at retirement.

Fraud Statute Applicability/Compliance Investigations

Included in Pensions Integrity Act-AB (House Bill 176/Session Law 2017-128)

The Retirement Systems Compliance team may conduct audits without suspecting agency fraud.

Full description:

Amends G.S. 135-1(7b) [recodified as (c) and replaced]; 135-1(11b); 135-(q)-(r); 128-21(7b) [recodified as (c) and replaced]; 128-21(11b); and 128-28(r)-(s) to provide guidelines and authorization for the Retirement Systems' Compliance team to conduct compliance audits of agencies without first suspecting fraud.

Require Pension Spiking Reports be Transmitted to Governing Boards

Included in Pensions Integrity Act-AB (House Bill 176/Session Law 2017-128)

Participating employers' CFOs must send the pension spiking reports they receive to their CEOs and boards. Public school CFOs must also notify their board of county commissioners.

Full description:

Creates G.S.115C-436 [(c) New]; G.S. 135-8 [(j) New]; and G.S. 128-30 [(j) New] to require that chief financial officers of participating employers transmit a copy of pension spiking "watch reports" to chief executive officers and to governing boards. Because of the split-funding mechanism used for traditional public schools, the chief financial officer of a public school system must also notify the board of county commissioners of the county in which the local administrative unit is located. The notification must include that the report was received and disclose the number of employees listed in the report.

Electronic Change for Beneficiaries/Ten Years

Included in Retirement Administrative Changes Act-AB (House Bill 183 Session Law 2017-129)

All employees are now able to name beneficiaries online in ORBIT.

Full description:

Amends G.S.135-5(f); 135-5(l); 135-63; 128-27(f); 128-27(l); and 120-4.25 to remove statutory prohibitions against current state and local employees changing named beneficiaries online for death

benefits only if they have more than ten years of service. Current law requires beneficiary changes be made using paper forms if the member has more than 10 years of service. This change will simplify administration of death benefits for the Retirement System and will facilitate the ability of employees to keep their beneficiary designation up to date.

This section is effective January 1, 2018.

Enable Additional Public Employer Contributions to NC 457 Plan

Included in Retirement Administrative Changes Act-AB (House Bill 183 Session Law 2017-129)

All participating employers may make contributions to their employees' NC 457 plans.

Full description:

Amends G.S. 147-9.4 to allow all public employers to make additional employer contributions to employee 457 retirement accounts. This change provides parity for all public agencies to participate in this supplemental retirement program.

Standardize Employer Reporting of Sick Leave

Included in Retirement Administrative Changes Act-AB (House Bill 183 Session Law 2017-129)

Requires employers to consistently report days of sick leave, instead of hours, for the purposes of calculating retirement eligibility and benefits.

Full description:

Amends G.S. 135-4(e); 128-26(e) to require that creditable service for unused sick leave be reported to the Retirement System in accordance with a standardized definition of hours per day and days in a week for the purposes of reporting to the Retirement System only. This change clarifies the process to make sure that agencies are reporting their hours consistent with the current law. Specifically, "days of sick leave standing to a member's credit at retirement shall be determined by dividing the member's total hours of sick leave at retirement by the hours per month such leave was awarded under the employer's duly adopted sick leave policy as the policy applied to the member when the leave was accrued," which means that sick leave must be reported to the Retirement System on a consistent basis. As such, this change is a reporting requirement only and does not increase or decrease the amount of sick leave credited to a member.

This section is effective January 1, 2018.

Eliminate Redundant Coverage of Incarcerated Retirees

Included in House Bill 299 (Session Law 2017-135)

Suspends State Health Plan coverage for retirees incarcerated in the state prison system.

Full description:

Amends G.S. 135-48.41 to provide that if a retiree is a prisoner serving an active sentence in the state prison system and covered under health care paid for by the Department of Correction, then the incarcerated retiree is not eligible for coverage under the State Health Plan but would be solely covered by health services provided by the state prison system.

Charter School/TSERS Election

House Bill 159 (Session Law 2017-98)

Charter school waiting period to become TSERS employers lengthened.

Full description:

A charter school seeking to become a participating employer in TSERS prior to the end of its second year of operation can be granted provisional entry into TSERS for one year.

This section is effective August 1, 2017.