



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

JANET COWELL
TREASURER

STEVE TOOLE
RETIREMENT SYSTEMS DIRECTOR

Retirement Administrative Changes Act of 2013

One of the primary responsibilities of the Department of State Treasurer is to provide a safe and secure retirement for North Carolina's 875,000 public employees and retirees, including teachers, police officers, firefighters, and public servants from all over the state. These individuals rely on the integrity, knowledge, and judgment of the Department to ensure their pension is protected. This legislative proposal incorporates provisions that will clarify interpretations of current law and increase efficiency of administration of the 11 retirement systems administered by the Department.

The attached legislative proposal has six sections and changes the administration of the Retirement Systems Division in a number of ways:

SECTION ONE: Extend Transfer Benefit Option to 403(b) Participants

This section would allow participants in the State's new 403(b) program or any other 403(b) plan utilized by school systems to make a one-time election at retirement or following retirement to transfer any portion of his or her eligible accumulated contributions, not including Roth contributions and earnings, in the NC 403(b) program to the Teachers' and State Employees' Retirement System, and receive a special monthly retirement allowance based upon this transferred balance. This transfer benefit option is currently available to participants in the State's 401(k) and 457 plans.

SECTION TWO: Clarify Timing of Social Security Offset for Long-Term Disability Benefits

This section clarifies that the amount of any primary Social Security disability benefits that a member was eligible to receive during a given month will be subtracted from the member's long-term disability benefit payment in the month in which such benefits are payable. Currently, the statute allows benefits to be reduced in the month prior to the month in which the beneficiary receives his or her first Social Security benefit payment.

SECTION THREE: Establish Preservation of Benefits Plan

This section creates a preservation of benefits plan for the purpose of providing benefits to a retiree or beneficiary of the North Carolina Retirement System whose benefits would otherwise be limited by section 415 of the Internal Revenue Code. The arrangement would not be available to employees retiring on or after January 1, 2015.

SECTION FOUR: Require Retirement Systems Forms for Domestic Relations Orders

This section requires the use of forms approved by the Retirement System for the filing of domestic relations orders. Use of these forms will increase operational efficiencies. The Department estimates that attorneys spend approximately 25 hours a week reviewing Domestic Relations Orders at a cost of over \$50,000 per year and that requiring a form would cut that cost in half.

A SENATE COMMITTEE SUBSTITUTE ADDED THE FOLLOWING PROVISIONS TO THIS BILL THAT WERE NOT REQUESTED BY THE DEPARTMENT OF STATE TREASURER:

SECTION FIVE: Disability Service Change

This amends G.S. 135-3(8)d and would allow members who return to service from disability and subsequently earn at least three years of membership service to use creditable service earned while in receipt of disability benefits as membership credit. This section applies retroactively to July 1, 2012 and will affect one member of the retirement system and increase the liabilities of TSERS by \$159,065.

SECTION SIX: Modify Cost of Settlement Agreements Related to Involuntary Terminations

This section amends G.S. 135-4(ff) and G.S. 128-26(v) for TSERS and LGERS and clarifies the back-pay and benefit sections of the retroactive membership service purchase statute and requires full actuarial cost be paid for restored service by a settlement agreement entered into voluntarily by all affected parties.

*Prepared by Retirement Systems Division Staff
6/28/2013*