



NORTH CAROLINA

OFFICE OF THE TREASURER

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Retirement Fiscal Integrity Act of 2013

One of the primary responsibilities of the State 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 State to ensure their pension is protected. In helping secure the pension, it is critical that the State has the tools and authority to reduce the risk of fraud and abuse and ensure the fiscal integrity of the Systems.

The legislative proposal has seven sections that address the issue in a number of ways:

SECTION ONE: Provide Authority to Investigate Pension Spiking

This section would allow the Retirement Systems Division to use statistical evidence to identify and reveal possible pension spiking and to trigger fraud investigations under §135-1 (11b) and §128-21(11c). This request is a result of several recent attempts by employers to manipulate the average final compensation of highly compensated individuals.

SECTION TWO: Prevent Pension Spiking

This section would implement a contribution-based benefit cap on employees hired after 7/31/2013 to prevent pension spiking.

SECTION THREE: Prevent Pension Spiking in Settlement Agreements

This section would clarify all backpay and benefit sections of the retroactive membership service statute. It also provides a means to prevent pension spiking under settlement agreements.

SECTION FOUR: Change the Vesting Period of Teachers' and State Employees' Retirement System and Consolidated Judicial Retirement System

This section would change the vesting period of Teachers' and State Employees' Retirement System and Consolidated Judicial Retirement System members hired after 7/31/2011 from ten years and restore it to five years.

SECTIONS FIVE - SEVEN: Establish Optional Defined Contribution Plan for Employees

This section would establish an Optional Defined Contribution Plan for Employees hired on or after August 2016.