

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

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HOUSE BILL 1055

Short Title: Retirement Complexity Reduction Act of 2018.-AB (Public)

Sponsors: Representatives Collins, Ross, Dulin, and McNeill (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Pensions and Retirement, if favorable, State and Local Government II

June 1, 2018

A BILL TO BE ENTITLED

AN ACT TO REDUCE COMPLEXITY AND ADD VALUE TO THE RETIREMENT BENEFITS OF PUBLIC EMPLOYEES AND TO INCREASE ADMINISTRATIVE EFFICIENCIES BY MAKING ADMINISTRATIVE AND PROGRAMMATIC CHANGES TO LAWS RELATING TO THE STATE TREASURER, TO THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, TO THE LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM LAWS, TO THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES, AND TO RELATED STATUTES.

The General Assembly of North Carolina enacts:

SECTION 1.(a) G.S. 135-6(l) reads as rewritten:

"(l) Duties of Actuary. – The Board of Trustees shall designate an actuary who shall be the technical adviser of the Board of Trustees on matters regarding the operation of the funds created by the provisions of this Chapter and shall perform such other duties as are required in connection therewith. ~~For purposes of the annual valuation of System assets, the~~ The experience studies, and studies and all other actuarial calculations required by this Chapter, and all the assumptions used by the System's actuary, including mortality tables, interest rates, annuity factors, the contribution-based benefit cap factor, and employer contribution rates, shall be set out in the actuary's periodic ~~reports-reports, annual valuations of System assets,~~ or other materials provided to the Board of Trustees. ~~These~~ Notwithstanding Article 2A of Chapter 150B of the General Statutes, these materials, once accepted by the Board, shall be considered part of the Plan documentation governing this Retirement System; ~~similarly, the System and shall be effective the first day of the month following adoption unless a different date is specified in the adopting resolution.~~ The Board's minutes relative to all actuarial assumptions used by the System shall also be considered part of the Plan documentation governing this Retirement System, with the result of precluding any employer discretion in the determination of benefits payable hereunder, consistent with Section 401(a)(25) of the Internal Revenue Code."

SECTION 1.(b) G.S. 128-28(m) reads as rewritten:

"(m) Duties of Actuary. – The Board of Trustees shall designate an actuary who shall be the technical adviser of the Board of Trustees on matters regarding the operation of the funds created by the provisions of this Chapter and shall perform such other duties as are required in connection therewith. ~~For purposes of the annual valuation of System assets, the~~ The experience studies, and studies and all other actuarial calculations required by this Chapter, and all the assumptions used by the System's actuary, including mortality tables, interest rates, annuity factors, the contribution-based benefit cap factor, and employer contribution rates, shall be set out in the actuary's periodic ~~reports-reports, annual valuations of System assets,~~ or other materials



1 provided to the Board of Trustees. ~~These~~ Notwithstanding Article 2A of Chapter 150B of the
 2 General Statutes, these materials, once accepted by the Board, shall be considered part of the
 3 Plan documentation governing this Retirement System; similarly, the System and shall be
 4 effective the first day of the month following adoption unless a different date is specified in the
 5 adopting resolution. The Board's minutes relative to all actuarial assumptions used by the System
 6 shall also be considered part of the Plan documentation governing this Retirement System, with
 7 the result of precluding any employer discretion in the determination of benefits payable
 8 hereunder, consistent with Section 401(a)(25) of the Internal Revenue Code."

9 **SECTION 1.(c)** G.S. 150B-1(d) reads as rewritten:

10 "(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the
 11 following:

12 ...

13 (29) The Retirement System Boards of Trustees established under G.S. 128-28 and
 14 G.S. 135-6 when adopting actuarial tables, assumptions, and
 15 contribution-based benefit cap factors after presentation of recommendations
 16 from the actuary. This exemption includes, but is not limited to, the following
 17 actuarial tables, assumptions, methods, and factors:

- 18 a. Joint and survivor tables.
- 19 b. Reserve transfer tables.
- 20 c. Interest rate assumptions.
- 21 d. Salary increase assumptions.
- 22 e. Mortality assumptions.
- 23 f. Separation and retirement assumptions.
- 24 g. Asset smoothing methods.
- 25 h. Actuarial cost methods.
- 26 i. Contribution-based benefit cap factors.
- 27 j. Required contribution rates.
- 28 k. Amortization policies."

29 **SECTION 1.(d)** G.S. 135-6(n) reads as rewritten:

30 "(n) In 1943, and at least once in each five-year period thereafter, the actuary shall make
 31 an actuarial investigation into the mortality, service and compensation experience of the members
 32 and beneficiaries of the Retirement System, and shall make a valuation of the assets and liabilities
 33 of the funds of the System, and taking into account the result of such investigation and valuation,
 34 the Board of Trustees ~~shall~~ shall do all of the following:

- 35 (1) Adopt for the Retirement System such any necessary mortality, service and
 36 service, or other tables as shall be deemed necessary; and tables, and any
 37 necessary contribution-based benefit cap factors for the Retirement System.
- 38 (2) Certify the rates of contributions payable by the State of North Carolina on
 39 account of new entrants at various ages."

40 **SECTION 1.(e)** G.S. 128-28(o) reads as rewritten:

41 "(o) In the year 1945, and at least once in each five-year period thereafter, the actuary shall
 42 make an actuarial investigation into the mortality, service and compensation experience of the
 43 members and beneficiaries of the Retirement System, and shall make a valuation of the assets
 44 and liabilities of the funds of the System, and taking into account the result of such investigation
 45 and valuation, the Board of Trustees ~~shall~~ shall do all of the following:

- 46 (1) Adopt for the Retirement System such any necessary mortality, service and
 47 service, or other tables as shall be deemed necessary; and tables, and any
 48 necessary contribution-based benefit cap factors for the Retirement System.
- 49 (2) Certify the rates of contributions payable by the participating units on account
 50 of new entrants at various ages."

1 **SECTION 1.(f)** This section is effective when it becomes law and applies to actuarial
2 investigations and calculations made on or after that date.

3 **SECTION 2.(a)** G.S. 135-6.1 is amended by adding a new subsection to read:

4 "(e1) The Retirement Systems Division of the Department of State Treasurer may disclose
5 to employers who made a contribution for an employee to the Retirement System any information
6 regarding that employee necessary to conduct the business of the Retirement System. Employers
7 in receipt of this information shall treat the information as confidential and this information shall
8 not be a public record."

9 **SECTION 2.(b)** G.S. 135-8(f)(2)f. reads as rewritten:

10 "f. Each employer shall transmit to the Retirement System on account of
11 each member who retires on or after January 1, 2015, having earned
12 his or her last month of membership service as an employee of that
13 employer the lump sum payment, as calculated under G.S. 135-4(jj)
14 for inclusion in the Pension Accumulation Fund, that would have been
15 necessary in order for the retirement system to restore the member's
16 retirement allowance to the pre-cap amount. Employers are not
17 required to make contributions on account of any retiree who became
18 a member on or after January 1, 2015, and who earned at least five
19 years of membership service in the Retirement System after January
20 1, 2015.

21 Under such rules as the Board of Trustees shall adopt, the
22 Retirement System shall report monthly to each employer a list of
23 those members for whom the employer made a contribution to the
24 Retirement System in the preceding month that are most likely to
25 require an additional employer contribution should they elect to retire
26 in the following 12 months, if applicable. Reports received under this
27 section shall not be public records and employers in receipt of a report
28 under this section shall treat the report, and the information contained
29 within that report, as confidential and as though it were still held by
30 the Retirement System under G.S. 135-6.1."

31 **SECTION 2.(c)** G.S. 135-8(j) reads as rewritten:

32 "(j) Pension Spiking Report. – Upon receipt of a report from the Retirement System
33 generated pursuant to G.S. 135-8(f)(2)f., containing a list of employees for whom the employer
34 made a contribution to the North Carolina Teachers' and State Employees' Retirement System
35 that is likely to require an additional employer contribution should the employee elect to retire in
36 the following 12 months, the employer's chief financial officer shall transmit a copy of the report
37 to the chief executive of the employer, as well as to the governing body of the employer, including
38 any board which exercises financial oversight of the employer, if ~~applicable~~ the employer has a
39 governing body. Reports received under this section shall not be public records and employers
40 in receipt of a report under this section shall treat the report, and the information contained within
41 that report, as confidential and as though it were still held by the Retirement System under
42 G.S. 135-6.1."

43 **SECTION 2.(d)** G.S. 128-33.1 is amended by adding a new subsection to read:

44 "(e1) The Retirement Systems Division of the Department of State Treasurer may disclose
45 to employers who made a contribution for an employee to the Retirement System any information
46 regarding that employee necessary to conduct the business of the Retirement System. Employers
47 in receipt of this information shall treat the information as confidential and this information shall
48 not be a public record."

49 **SECTION 2.(e)** G.S. 128-30(g)(2)b. reads as rewritten:

50 "b. Each employer shall transmit to the Retirement System on account of
51 each member who retires on or after January 1, 2015, having earned

1 his or her last month of membership service as an employee of that
2 employer the lump sum payment, as calculated under G.S. 128-26(y)
3 for inclusion in the Pension Accumulation Fund, that would have been
4 necessary in order for the retirement system to restore the member's
5 retirement allowance to the pre-cap amount. Employers are not
6 required to make contributions on account of any retiree who became
7 a member on or after January 1, 2015, and who earned at least five
8 years of membership service in the Retirement System after January
9 1, 2015.

10 Under such rules as the Board of Trustees shall adopt, the
11 Retirement System shall report monthly to each employer a list of
12 those members for whom the employer made a contribution to the
13 Retirement System in the preceding month that are most likely to
14 require an additional employer contribution should they elect to retire
15 in the following 12 months, if applicable. Reports received under this
16 section shall not be public records and employers in receipt of a report
17 under this section shall treat the report, and the information contained
18 within that report, as confidential and as though it were still held by
19 the Retirement System under G.S. 128-33.1."

20 **SECTION 2.(f)** G.S. 128-30(j) reads as rewritten:

21 "(j) Pension Spiking Report. – Upon receipt of a report from the Retirement System
22 generated pursuant to ~~G.S. 135-8(f)(2)f.,~~ G.S. 128-30(g)(2)b., containing a list of employees for
23 whom the employer made a contribution to the North Carolina Local Governmental Employees'
24 Retirement System that is likely to require an additional employer contribution should the
25 employee elect to retire in the following 12 months, the employer's chief financial officer shall
26 transmit a copy of the report to the governing body of the employer, if ~~applicable.~~ the employer
27 has a governing body. Reports received under this section shall not be public records and
28 employers in receipt of a report under this section shall treat the report, and the information
29 contained within that report, as confidential and as though it were still held by the Retirement
30 System under G.S. 128-33.1."

31 **SECTION 3.** G.S. 135-48.47 reads as rewritten:

32 "**§ 135-48.47. Participation in State Health Plan by local government employees and**
33 **dependents.**

34 ...

35 (d) Local governments participating in the Plan as of April 1, 2016, may elect to withdraw
36 from participating in the Plan effective January 1, 2017. Notice of withdrawal must be given by
37 the local government to the Plan no later than September 15, 2016.

38 (e) Except as permitted under subsection (d) of this section, a local government unit's
39 election to participate in the Plan is irrevocable."

40 **SECTION 4.** Article 6 of Chapter 147 of the General Statutes is amended by adding
41 a new section to read:

42 "**§ 147.75.1. Criminal record checks for the Department of State Treasurer.**

43 (a) The Department of State Treasurer may obtain from the State and National
44 Repositories of Criminal Histories or from any other lawful source the criminal history of any of
45 the following individuals:

- 46 (1) A current or prospective permanent or temporary employee of the Department
47 of State Treasurer.
- 48 (2) A contractor with the Department of State Treasurer.
- 49 (3) An employee or agent of a contractor with the Department of State Treasurer.
- 50 (4) A volunteer of the Department of State Treasurer.

1 (5) Any other individual otherwise engaged by the Department of State Treasurer
2 who will have access to health or financial information or data maintained by
3 the Department of State Treasurer that is confidential or otherwise nonpublic.

4 (b) The Department of State Treasurer may deny employment to or dismiss any
5 individual identified under subsection (a) of this section who refuses to consent to a criminal
6 history record check or to the use of fingerprints or other identifying information required by the
7 State or National Repositories of Criminal Histories. Any refusal shall constitute just cause for
8 the employment denial or the dismissal from employment.

9 (c) The Department of State Treasurer may extend a conditional offer of employment
10 pending the results of a criminal history record check authorized by this section."

11 **SECTION 5.** Except as otherwise provided, this act is effective when it becomes
12 law.