A BILL TO BE ENTITLED
AN ACT TO REFORM THE NORTH CAROLINA RETIREMENT SYSTEM BY PROVIDING THAT CERTAIN PERSONS HIRED BY THE STATE BEGINNING JULY 1, 2018, SHALL PARTICIPATE IN THE NORTH CAROLINA 401(K) PLAN OR NORTH CAROLINA 457 PLAN RATHER THAN THE TEACHERS’ AND STATE EMPLOYEES’ RETIREMENT SYSTEM OR THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM; TO PROVIDE THAT MEMBERS OF THE GENERAL ASSEMBLY WHO FIRST BECOME MEMBERS ON OR AFTER JULY 1, 2018, SHALL PARTICIPATE IN THE NORTH CAROLINA 401(K) PLAN OR NORTH CAROLINA 457 PLAN RATHER THAN THE LEGISLATIVE RETIREMENT SYSTEM; TO PROVIDE THAT CERTAIN LOCAL GOVERNMENTAL EMPLOYEES HIRED ON OR AFTER JULY 1, 2018, SHALL PARTICIPATE IN THE NORTH CAROLINA 401(K) PLAN OR NORTH CAROLINA 457 PLAN; TO CHANGE STATE HEALTH PLAN ELIGIBILITY FOR STATE RETIREES; AND TO MAKE CONFORMING CHANGES.

The General Assembly of North Carolina enacts:

PART I. ENACT DEFINED CONTRIBUTION PLAN FOR NEW HIRES

SECTION 1.(a) Chapter 135 of the General Statutes is amended by adding a new Article to read:

"Article 5A.

Supplemental Retirement Income Plan and Deferred Compensation Plan Automatic Enrollment.

§ 135-99.1 Definitions.
The following definitions apply in this Article:

1. Board. – The Supplemental Retirement Board of Trustees established under G.S. 135-96.
3. Eligible Plan member. – Any of the following employees:
   a. A teacher or State employee who is not a member of the Teachers’ and State Employees’ Retirement System, the Consolidated Judicial Retirement System, or the Optional Retirement Program established under G.S. 135-5.1.
   b. A member of the General Assembly who is not a member of the Legislative Retirement System.
c. A local government employee whose employer is a participating employer in the Local Governmental Employees’ Retirement System but who is not a member of the Local Governmental Employees’ Retirement System or an equivalent locally sponsored retirement plan.

(4) Optional Retirement Program. – The Optional Retirement Program for The University of North Carolina established under G.S. 135-5.1.

(5) Plan member. – An eligible Plan member who is enrolled in the Supplemental Retirement Income Plan, the Deferred Compensation Plan, or both.

(6) Supplemental Retirement Income Plan. – The Supplemental Retirement Income Plan provided for under Article 5 of this Chapter.

"§ 135-99.2. Automatic enrollment; changes in contribution rates."

(a) Except as otherwise provided in this Article, effective July 1, 2018, all eligible Plan members shall be automatically enrolled in the Supplemental Retirement Income Plan, the Deferred Compensation Plan, or both at the time of initial employment and at subsequent times to be determined by the Board, and the Plan members’ contributions shall be subject to automatic adjustment on an annual basis as provided by the Board of Trustees on a date set by the Board. A Plan member's compensation shall be reduced by the amount of his or her contribution to the Supplemental Retirement Income Plan, the Deferred Compensation Plan, or both, and the contribution shall be held in the Plan member's account. Plan members subject to such a reduction in compensation shall be deemed to have authorized payroll deductions for making contributions to the Supplemental Retirement Income Plan, the Deferred Compensation Plan, or both.

(b) The contribution levels for automatic enrollment and for automatic adjustment shall be set by the Board for each individual member, with the goal of achieving an adequate retirement income for that individual, based upon the following criteria:

(1) Age of the member.
(2) Current salary of the member.
(3) The member’s current account balance.
(4) Projected interest rates and asset returns.
(5) Projected salary growth.
(6) Target retirement age, which shall be set at the Social Security Normal Retirement Age for most members.
(7) Target for retirement income as a percentage of income just prior to retirement, which shall be set at seventy percent (70%) to ninety percent (90%) for most members.
(8) Projected income from other sources, including Social Security.
(9) Account balance in any outside retirement accounts.
(10) Any other relevant assumptions as determined by the Board.

The Board shall determine default settings for the criteria listed in this subsection, subject to being overridden by the Plan member.

(c) The Board shall establish a new investment option consisting exclusively of long-term, fixed-income securities that are investment grade and indexed for inflation, except for any necessary cash balance. The default investment setting shall be for a certain percentage in this new investment option and a percentage in other investment options, as set by the Board. The Board shall set the default investment setting so that the amount invested in the new investment option increases as the member approaches the target retirement age. In the event that the securities required for the new investment option are no longer available for investment, then the default investment shall exclude the new investment option until such time as those securities are again available for investment.
(d) Any automatic adjustment in employee contribution rates made by the Board of Trustees may be phased in over the course of no more than three years.

(e) If the proposed automatic adjustment of a Plan member's contribution rate would result in a change of more than five percent (5%) in that rate, the Board shall notify the Plan member of the proposed adjustment and of the Plan member's right to opt out of that adjustment using at least three of the following methods: e-mail, U.S. mail, telephone, or direct contact by the Plan member's Human Resources representative.

(f) Upon the automatic enrollment of an eligible Plan member, the Board may hold any contributions to the Supplemental Retirement Income Plan or Deferred Compensation Plan in another State account for the 90-calendar day period in which the eligible Plan member may elect to opt out of enrollment.

§ 135-99.3. Ability to opt out.

(a) An eligible Plan member may elect to opt out of automatic enrollment in the Supplemental Retirement Income Plan, Deferred Compensation Plan, or both, as provided for under G.S. 135-99.2. The decision to opt out of automatic enrollment may be permanent or may be made on a one-time basis. The decision to opt out of automatic enrollment must be made within the first 90 calendar days of being automatically enrolled in the Supplemental Retirement Income Plan or Deferred Compensation Plan.

(b) A Plan member may elect to opt out of automatic adjustment in the Plan member's contribution rate in the Supplemental Retirement Income Plan, Deferred Compensation Plan, or both, as provided for under G.S. 135-99.2. A Plan member may choose to participate in the Supplemental Retirement Income Plan, Deferred Compensation Plan, or both at a different contribution level. The decision to opt out of automatic adjustment may be permanent or may be made on a one-time basis. A Plan member may change the contribution rate applicable to his or her account at any time.


(a) Upon the later of separation from service or attainment of the most recent target retirement age established under G.S. 135-99.2(b)(6), as overridden by the Plan member if applicable, monthly distributions from the Plan member's account will commence for any Plan member who has not made an election otherwise. The amount of these distributions shall be equal to the amount the Plan member would receive if the Plan member completed the transfer of a portion of the Plan member's account balance to the North Carolina Retirement Income System established in Article 8 of this Chapter and elected a benefit with postretirement increases and no survivorship benefit. The Board shall establish the portion of the account balance used in determining the distribution amount.

(b) After a time period specified by the Board, the automatic distributions under subsection (a) of this section shall cease, and the Board shall inform the Plan member of the procedure for continuing monthly income for life by effecting a transfer under Article 8 of this Chapter. The Plan member may elect to change the distribution amount or cease distributions at any time.

(c) The automatic distributions under this section shall not apply to any Plan member who has reached the age for minimum distributions under Section 401(a)(9) of the Internal Revenue Code or who would face tax penalties for the withdrawal. The Board may further delay commencement of automatic monthly distributions until the Plan's normal retirement age, the Plan member's first request for a distribution, or as otherwise required to comply with federal law. The Board may exempt from automatic monthly distributions accounts with balances below a threshold set by the Board."

SECTION 1.(b) It is the intent of the General Assembly for the 2018-2019 fiscal year to provide for a one hundred percent (100%) match by the State on the first six percent (6%) in contributions made by (i) persons hired by the State on or after July 1, 2018, and who are required to participate in the North Carolina 401(k) Plan or the North Carolina 457 Plan.
rather than the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, or the Optional Retirement Program established under G.S. 135-5.1, and (ii) members of the General Assembly who first become members on or after January 1, 2018, who are required to participate in the North Carolina 401(k) Plan or North Carolina 457 Plan rather than the Legislative Retirement System.

Further, it is the intent of the General Assembly to establish an unfunded liability contribution rate, approximating such rates in existing retirement systems, to be contributed by employers of those hired on or after July 1, 2018.

SECTION 1. (c) Chapter 135 of the General Statutes is amended by adding a new Article to read:

"Article 8.
North Carolina Retirement Income System.

§ 135-160. Definitions.
The following definitions apply in this Article:

(1) Board of Trustees. – The Board of Trustees established in G. 135-6.
(2) Local government employee. – An employee as defined in G.S. 128-27(10).
(3) Member. – A member of the Retirement Income System.
(4) State employee. – An employee as defined in G.S. 135-1(10).
(6) Teacher. – As defined in G.S. 135-(25).

§ 135-161. Membership.
(a) The North Carolina Retirement Income System is established and shall be administered by the Board of Trustees established in G.S. 135-6.
(b) The membership of the North Carolina Retirement Income System is composed of the following persons who elect to transfer funds into the System:

(1) Teachers and State employees who are not members of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, or the Optional Retirement Program established under G.S. 135-5.1.
(2) Members of the General Assembly who are not members of Legislative Retirement System.
(3) Local government employees whose employer is a participating employer in the Local Governmental Employees' Retirement System but who are not members of either the Local Governmental Employees' Retirement System or an equivalent locally sponsored retirement plan.

(a) Retirement Allowance. – At any time coincident with or following retirement, a member may make an election to transfer any portion of the member's eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to the North Carolina Retirement Income System and receive a retirement allowance, which shall be based upon the member's transferred balance.

A member who became a member of the Supplemental Retirement Income Plan prior to retirement and who remains a member of the Supplemental Retirement Income Plan may make an election to transfer eligible balances, not including any Roth after-tax contributions and the earnings thereon, from any of the following plans to the Supplemental Retirement Income Plan, subject to the applicable requirements of the Supplemental Retirement Income Plan, and then through the Supplemental Retirement Income Plan to this Retirement System: (i) a plan participating in the North Carolina Public School Teachers' and Professional Educators' Investment Plan; (ii) a plan described in section 403(b) of the Internal Revenue Code; (iii) a plan described in section 457(b) of the Internal Revenue Code that is maintained by a state,
political subdivision of a state, or any agency or instrumentality of a state or political
subdivision of a state; (iv) an individual retirement account or annuity described in section
408(a) or section 408(b) of the Internal Revenue Code that is eligible to be rolled over and
would otherwise be includible in gross income; or (v) a tax-qualified plan described in section
401(a) or section 403(a) of the Internal Revenue Code.

Notwithstanding anything to the contrary, a member may not transfer such amounts as will
cause the member's retirement allowance under the System to exceed the amount allowable
under the Internal Revenue Code. The Board of Trustees may establish a minimum amount that
must be transferred if a transfer is elected. The member may elect a retirement allowance with
no postretirement increases or a retirement allowance with annual postretirement increases
equal to the annual increase in the U.S. Consumer Price Index. Postretirement increases on any
other allowance will not apply to the retirement allowance. The Board of Trustees shall provide
educational materials to the members who apply for the transfer authorized by this section.
Those materials shall describe the retirement allowance and shall explain the relationship
between the transferred balance and the monthly benefit and how the member's heirs may be
impacted by the election to make this transfer and any costs and fees involved.

(b) Retirement Allowance Determination. – For the purpose of determining the
retirement allowance under this section, the Board of Trustees shall adopt straight life annuity
factors on the basis of yields on U.S. Treasury Bonds and mortality and such other tables as
may be necessary based upon actual experience. A single set of mortality and such other tables
will be used for all members, with factors differing only based on the age of the member and
the election of postretirement increases. The Board of Trustees shall modify the mortality and
such other tables at least every five years, as shall be deemed necessary, based upon the
five-year experience study as required by G.S. 135-6(n). Provided, however, a member who
transfers the member's eligible accumulated contributions from an eligible retirement plan to
this System, pursuant to this section, shall be taxed for North Carolina State income tax
purposes on the retirement allowance the same as if that retirement allowance had been paid
directly by the eligible plan or the plan through which the transfer was made, whichever is most
favorable to the member. The Board of Trustees shall determine the taxable amount, if any, and
report accordingly.

(c) Administrative Fee. – The Supplemental Retirement Board of Trustees established
under G.S. 135-96 may assess a one-time flat administrative fee not to exceed the actual cost of
the administrative expenses relating to these transfers. An eligible plan shall not assess a fee
specifically relating to a transfer of accumulated contributions authorized under this section.
This subsection shall not prohibit other fees that may be assessable under the plan. Each plan,
contract, account, or annuity shall fully disclose to any member participating in a transfer under
this section any surrender charges or other fees, and such disclosure shall be made
contemporaneous with the initiation of the transfer by the member.

(d) Retirement Allowance Payment Options. – The retirement allowance shall continue
for the life of the member and the beneficiary designated to receive a monthly survivorship
benefit modeled upon Option 2 or 3 as found in G.S. 135-5(g), if any. The Board of Trustees
shall establish two payment options that guarantee payments as follows:

1. A member may elect to receive the retirement allowance for life but with
   payments guaranteed for a number of months to be specified by the Board of
   Trustees. Under this plan, if the member dies before the expiration of the
   specified number of months, the retirement allowance will continue to be
   paid to the member's designated beneficiary for the life of the beneficiary, if
   the benefit modeled upon Option 2 or 3 is selected. If the benefit modeled
   upon Option 2 or 3 is not selected, the member's designated beneficiary will
   receive the benefit only for the remainder of the specified number of months.

2. If the member's designated beneficiary dies before receiving payments for
the specified number of months, any remaining payments will be paid to the member's estate.

(2) A member may elect to receive the retirement allowance for life but with the sum of the retirement allowance payments guaranteed to equal the total of the transferred amount. Under this payment option, if the member dies before receiving the total transferred amount, the retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if the benefit modeled upon Option 2 or 3 is selected. If the benefit modeled upon Option 2 or 3 is not selected, the member's designated beneficiary or the member's estate shall be paid any remaining balance of the transferred amount.

(e) Investment of System Assets. – The State Treasurer shall invest the assets of the System exclusively in fixed-income securities of investment grade, with a close match between the projected inflation-adjusted cash flow stream of the investments and the projected inflation-adjusted cash flow payments to members. In the event that securities offering inflation indexing are no longer available for investment, then no further transfers of contributions shall be made under this Article until such time as those securities are again available for investment.

(f) Annual Report. – Beginning in the first year that assets in the System exceed twenty-five million dollars ($25,000,000), the Department of State Treasurer shall post an annual report on its Web site estimating the probability distribution of any shortfall due to all of the following:

(1) The unknown rate of lifespan improvements.
(2) Anti-selection in rollover by members.
(3) Unknown future inflation.
(4) Unknown future real interest rates.
(5) Unknown levels of default on fixed income assets of investment grade.

The report shall also describe efforts taken by the Department of State Treasurer to minimize each of these risks, at a reasonable cost to the extent possible.

(g) Right to Appeal or Amend. – The General Assembly reserves the right to repeal or amend this section, but such repeal or amendment shall not affect any person who has already made the election provided for in subsection (a) of this section."

SECTION 1.(d) Article 5 of Chapter 135 of the General Statutes reads as rewritten:

"Article 5.


§ 135-90. Short title and purpose.

(a) This Article shall be known and may be cited as the "Supplemental Retirement Income Act of 1984".

(b) The purpose of the Article is to attract and hold qualified employees and officials of the State of North Carolina and its political subdivisions by permitting them to participate in a profit sharing or salary reduction form of deferred compensation which will provide supplemental retirement income payments upon retirement, disability, termination, hardship, and death as allowed under section 401(k), or any other relevant section, of the Internal Revenue Code of 1954 as amended. As used in this Article, the term "profit" means the excess revenue over expenditures prior to the expenditure of the amount which may be optionally made available for employees to be placed in trust by the State and its political subdivisions on behalf of the employees and officials covered by this Article.

..."
Members of the Teachers' and State Employees' Retirement System; and

Members of the Consolidated Judicial Retirement System; and

Members of the Legislative Retirement System; and

Members of the Local Governmental Employees' Retirement System; and

Law enforcement officers as defined under G.S. 143-166.30 and G.S. 143-166.50; and G.S. 143-166.50.

Participants in the Optional Retirement Program provided for under G.S. 135-5.1; and G.S. 135-5.1.

Members of retirement and pension plans sponsored by political subdivisions of the State so long as such plans are qualified under Section 401(a) of the Internal Revenue Code of 1986 as amended from time to time.

Teachers and State employees who are not members of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, or the Optional Retirement System established under G.S. 135-5.1.

Members of the General Assembly who are not members of the Legislative Retirement System.

Local government employees whose employer is a participating employer in the Local Government Employees' Retirement System but who are not members of either the Local Government Employees' Retirement System or an equivalent locally sponsored retirement plan.

The membership of any person in the Supplemental Retirement Income Plan shall cease upon the occurrence of any of the following:

(1) The withdrawal of a member's accumulated account.

(2) Retirement of a member under the provisions of the Supplemental Income Retirement Plan.

(3) Death of the member.

§ 135-93. Contributions.

(a) Each member may elect to reduce his compensation by the amount of his contribution to the Supplemental Retirement Income Plan and that amount shall be held in the member's account. Members electing such a reduction in compensation may authorize payroll deductions for making contributions to the Plan.

(b) The State and any of its political subdivisions may make contributions to the Supplemental Retirement Income Plan on behalf of any of its members, provided these contributions are nondiscriminatory in accordance with the Internal Revenue Code of 1954 as amended, and are duly appropriated by their governing bodies, and the contributions are held in the member's account. Employer contributions to the Plan are declared expenditures for a public purpose. The following employees shall become vested in the Plan after the attainment of five years of service to the State with respect to any contributions made by the State on their behalf:

(1) Teachers and State employees who are not members of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, or the Optional Retirement Plan established under G.S. 135-5.1.

(2) Members of the General Assembly who are not members of the Legislative Retirement System.

(3) Local government employees whose employer is a participating employer in the Local Governmental Employees' Retirement System but who are not members of the Local Governmental Employees' Retirement System or an equivalent locally sponsored retirement plan.
The Department of State Treasurer and Board of Trustees shall establish maximum annual additions that may be made to a member's account and provide for multiple plan reductions in accordance with the Internal Revenue Code of 1954 as amended.


(a) The Department of State Treasurer and the Board of Trustees shall establish a schedule of supplemental retirement income benefits for all members of the Supplemental Retirement Income Plan, subject to the following limitations:

(1) Except as provided in G.S. 143-166.30(g1) and G.S. 143-166.30(g1), G.S. 143-166.50(e2), and G.S. 135-93(b), the balance in each member's account shall be fully vested at all times and shall not be subject to forfeiture for any reason.

(2) All amounts maintained in a member's account shall be invested according to the member's election, as approved by the Department of State Treasurer and Board of Trustees, including but not limited to, a time deposit account, a fixed investment account, or a variable investment account. Transfers of accumulated funds shall be permitted among the various approved forms of investment.

(3) The Department of State Treasurer and Board of Trustees shall provide members with alternative payment options, including survivors' options, for the distribution of benefits from the Plan upon retirement, disability, termination, hardship, and death.

(4) With the consent of the Department of State Treasurer and the Board of Trustees, amounts may be transferred from other qualified plans to the Supplemental Retirement Income Plan, provided that the trust from which such funds are transferred permits the transfer to be made and, the transfer will not jeopardize the tax status of the Supplemental Retirement Income Plan.

(5) At the discretion of the Department of State Treasurer and Board of Trustees, a loan program may be implemented for members which complies with applicable State and federal laws and regulations.

(b) All provisions of the Plan shall be interpreted and applied by the Department of State Treasurer and Board of Trustees in a uniform and nondiscriminatory manner.

(c) All benefits under the Plan shall become payable on and after January 1, 1985.

(d) Contributions under the Plan may be made on and after January 1, 1985.

"..."
SECTION 2.(c) G.S. 135-3 reads as rewritten:


The membership of this Retirement System shall be composed as follows: provided that persons who have not earned membership service prior to July 1, 2018, may not become members of the System:

..."

SECTION 2.(d) G.S. 128-24 reads as rewritten:


The membership of this Retirement System shall be composed as follows: provided that persons who have not earned membership service prior to July 1, 2018, may not become members of the System:

..."

SECTION 2.(e) G.S. 128-23 reads as rewritten:

"§ 128-23. Acceptance by cities, towns and counties.

(a) Pursuant to the favorable vote of a majority of the employees of any incorporated city or town, the governing body may, by resolution legally adopted and approved by the Board of Trustees, elect to have its employees become eligible to participate in the Retirement System, and the said municipal governing body may make the necessary appropriation therefor and if necessary levy annually taxes for payment of the same.

(b) Pursuant to the favorable vote of a majority of the employees of the county, the board of commissioners of any county may, by resolution legally adopted and approved by the Board of Trustees, elect to have its employees become eligible to participate in the Retirement System. Each county is authorized to make appropriations for these purposes and to fund them by levy of property taxes pursuant to G.S. 153-65 and by the allocation of other revenues whose use is not otherwise restricted by law.

(c) Any eligible employer desiring to participate in the Retirement System shall file with the Board of Trustees an application for participation under the conditions included in this Article on a form approved by the Board of Trustees. In such application the employer shall agree to make the contributions required of participating employers, to deduct from the salaries of employees who may become members the contributions required of members under this Article, and to transmit such contributions to the Board of Trustees. It shall also agree to make the employer's contributions for the participation in the Retirement System of all employees entering the service of the employer, after its participation begins, who shall become members.

(c1) On and after July 1, 2018, there shall be no additional employers approved to participate in the Retirement System. Any employers who are participating employers on July 1, 2018, shall remain participating employers in the Retirement System and shall be able to cease participation only as provided for under G.S. 128-30(i).

..."

SECTION 2.(f) G.S. 135-51(a) reads as rewritten:

"(a) This Article provides consolidated retirement benefits for (i) all justices and judges, district attorneys, and solicitors who are serving on January 1, 1974, and who become such thereafter, after that date and who earned membership service prior to July 1, 2018, and did not withdraw that service; and for (ii) all clerks of superior court who are so serving on January 1, 1975, and who become such after that date, and who earned membership service prior to July 1, 2018, and did not withdraw that service; and for (iii) all public defenders who are serving on July 1, 2007, and who become public defenders after that date, and who earned membership service prior to July 1, 2018, and did not withdraw that service; and for (iv) the Director of Indigent Defense Services who is serving on July 1, 2008, and those who become Director of Indigent Defense Services after that date, and who earned membership service prior to July 1, 2018, and did not withdraw that service."
SECTION 2.(g) G.S. 120-4.11 reads as rewritten:

§ 120-4.11. Membership.

The following members of the General Assembly and former members of the General Assembly are eligible for membership in the Retirement System:

1. Members of the General Assembly who serve on and after June 15, 1983, and who earned membership service prior to July 1, 2018, and did not withdraw that service; and

2. Former members of the General Assembly who served prior to June 15, 1983; and

   a. Who elect to transfer current and future entitlements, or contributions, from the Legislative Retirement Fund established by Chapter 1269 of the 1969 Session Laws; or
   
   b. Who have five or more years of service as a member of the General Assembly.

SECTION 2.(h) G.S. 135-5.1 reads as rewritten:

§ 135-5.1. Optional retirement program for The University of North Carolina.

(a) An Optional Retirement Program provided for in this section is authorized and established and shall be implemented by the Board of Governors of The University of North Carolina. The Optional Retirement Program shall be underwritten by the purchase of annuity contracts, which may be both fixed and variable contracts or a combination thereof, or financed through the establishment of a trust, for the benefit of participants in the Program.

(a1) Participation For employees appointed on or before June 30, 2018, participation in the Optional Retirement Program shall be limited to University personnel who are eligible for membership in the Teachers' and State Employees' Retirement Program and who are any of the following employees:

(1) Administrators and faculty of The University of North Carolina with the rank of instructor or above.

(2) The President and employees of The University of North Carolina who are appointed by the Board of Governors on recommendation of the President pursuant to G.S. 116-11(4), 116-11(5), and 116-14 or who are appointed by the Board of Trustees of a constituent institution of The University of North Carolina upon the recommendation of the Chancellor pursuant to G.S. 116-40.22(b), G.S. 116-40.22.

(3) Nonfaculty instructional and research staff who are exempt from the North Carolina Human Resources Act, as defined by the provisions of G.S. 126-5(c)(8), and the faculty of the North Carolina School of Science and Mathematics.

(4) Field faculty of the Cooperative Agriculture Extension Service, and tenure track faculty in North Carolina State University agriculture research programs who are exempt from the North Carolina Human Resources Act and who are eligible for membership in the Teachers' and State Employees' Retirement System pursuant to G.S. 135-3(1), who in any of the cases described in this subsection (i) had been members of the Optional Retirement Program under the provisions of Chapter 338, Session Laws of 1971, immediately prior to July 1, 1985, or (ii) have sought membership as required in subsection (b), below. Under the Optional Retirement Program, the State and the participant shall contribute, to the extent authorized or required, toward the purchase of such contracts or deposited in such trust on the participant's behalf.
Employees of The University of North Carolina Health Care System, subject to rules for eligibility and participation as may be adopted by the Board of Governors in the Optional Retirement Program plan document.

Employees hired on or after January 1, 2013.

For all employees initially appointed or after July 1, 2018, participation in the Optional Retirement Program shall be limited to those employees described in G.S. 126-5(c1), subdivisions (8) through (10), and G.S. 126-5(c8) and shall be subject to rules for eligibility and participation adopted by the Board of Governors in the Optional Retirement Program plan document.

Participation in the Optional Retirement Program shall be governed as follows:

Those participating in the Optional Retirement Program immediately prior to July 1, 1985, under the provisions of Chapter 338, Session Laws of 1971, are deemed automatically enrolled in the Program as established by this section.

Eligible employees initially appointed on or after July 1, 1985, but on or before June 30, 2018, shall at the same time of entering upon eligible employment elect (i) to join the Retirement System in accordance with the provisions of law applicable thereto or (ii) to participate in the Optional Retirement Program. This election shall be in writing and filed with the Retirement System and with the employing institution and shall be effective as of the date of entry into eligible service. For purposes of this provision, the Optional Retirement Program shall be permitted to file individual election forms with the Retirement System using electronic transmission.

Eligible employees initially appointed on or after July 1, 2018, shall, at the same time of entering upon eligible employment, participate in the Optional Retirement Program, and subdivisions (3) and (4) of this subsection shall not apply.

An election to participate in the Optional Retirement Program shall be irrevocable. An eligible employee failing to elect to participate in the Optional Retirement Program at the time of entry into eligible service shall automatically be enrolled as a member of the Retirement System.

No election by an eligible employee of the Optional Retirement Program shall be effective unless it is accompanied by an appropriate application for the issuance of a contract or contracts or trust participation under the Program.

If any participant in the Optional Retirement Program having less than five years of total membership service under any combination of the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, or the Optional Retirement Program leaves the employ of The University of North Carolina and either retires or commences employment with an employer not having a retirement program with the same company underwriting the participant's annuity contract, regardless of whether the annuity contract is held by the participant, a trust, or the Retirement System, the participant's interest in the Optional Retirement Program attributable to contributions of The University of North Carolina shall be forfeited. Consistent with Section 401(a) of the Internal Revenue Code, no part of the corpus or income of the Optional Retirement Program, or any trust established under that Program, may be (within the taxable year or thereafter) used for purposes other than for the exclusive benefit of participants and their beneficiaries, except that contributions made under a
good faith mistake of fact may be returned, consistent with the rules adopted
by the University.

c) Each employing institution shall contribute on behalf of each participant in the
Optional Retirement Program an amount equal to a percentage of the participant's
compensation as established from time to time by the General Assembly. Each For participants
initially appointed on or before June 30, 2018, each participant shall contribute the amount
which he or she would be required to contribute if a member of the Retirement System.
Contributions authorized or required by the provisions of this subsection on behalf of each
participant shall be made, consistent with Section 414(h) of the Internal Revenue Code, by
salary reduction according to rules and regulations established by The University of North
Carolina. The Board of Governors of The University of North Carolina shall establish policies
for participant contributions for participants initially appointed on or after July 1, 2018.

Additional personal contributions may also be made by a participant by payroll deduction
or salary reduction to an annuity or retirement income plan established pursuant to G.S. 116-17.
Payment of contributions shall be made by the employing institution to the designated company
or companies underwriting the annuities or the trustees for the benefit of each participant, and
this employer contribution shall not be subject to any State tax if made under the Optional
Retirement Program or, otherwise, by salary reduction.

".§ 135-5.4. Optional retirement program for State-funded community colleges.
(b) Participation in the Optional Retirement Program shall be governed as follows:
(1) Employees initially appointed on or after the implementation of the Optional
Retirement Program but on or before June 30, 2018, shall at the same time of
entering upon eligible employment elect (i) to join the Retirement System in
accordance with the provisions of law applicable thereto or (ii) to participate
in the Optional Retirement Program. This election shall be in writing and
filed with the Retirement System and with the employing institution and
shall be effective as of the date of entry into eligible service. No employees
initially appointed on or after July 1, 2018, may elect to join the Optional
Retirement Program."

SECTION 2.(j) Any member of the Teachers' and State Employees' Retirement
System, the Consolidated Judicial Retirement System, or the Local Government Employees'
Retirement System who became a member prior to July 1, 2018, and any member of the
Legislative Retirement System who became a member of the General Assembly prior to July 1,
2018, may, during a period to be determined by the Board of Trustees established in
G.S. 135-6, exercise a one-time option to cease participation in the Retirement System of which
he or she is a member on June 30, 2017, and to be subject effective July 1, 2018, to the
provisions of G.S. 135-93, 135-99.2, and 135-99.3, as amended and enacted in this section, and
be eligible for any employer contribution to the Supplemental Retirement Income Plan or the
North Carolina Public Employee Deferred Compensation Plan, by irrevocably transferring the
member's employee contributions in the Retirement System to the Supplemental Retirement
Income Plan, the North Carolina Public Employee Deferred Compensation Plan, or both, and
forfeiting any right to future benefits under the Retirement System of which he or she was a
member on June 30, 2018. The member exercising this one-time option shall be required to
acknowledge that the General Assembly retains the authority to change the employer
contribution and any other features of the Supplemental Retirement Income Plan or the North
Carolina Public Employee Deferred Compensation Plan at any time.

SECTION 2.(k) No later than December 31, 2017, the Department of State
Treasurer shall submit a report to the chairs of the Senate Committee on Appropriations on
Pensions, Compensation, and Benefits, the chairs of the House Pensions and Retirement
Committee, and the Fiscal Research Division regarding local government employees in North Carolina who do not participate in Social Security. The Department of State Treasurer shall work with stakeholder groups in preparing the report. The report shall include history, statistics, legal considerations, and the advantages and disadvantages of each policy option for covering these employees under some or all of the following:

2. The North Carolina 401(k) and 457 Plans.
3. A defined benefit plan designed to be as similar to the North Carolina 401(k) and 457 Plans as legally possible.

PART III. REPAY TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM UNFUNDED LIABILITY

SECTION 3. It is the intent of the General Assembly to appropriate the sum of one hundred million dollars ($100,000,000) in recurring funds for the 2017-2018 fiscal year and the sum of two hundred million dollars ($200,000,000) in recurring funds for the 2018-2019 fiscal year to reserves for retirement contributions. This will allow the Board of Trustees of the Teachers' and State Employees' Retirement System to increase the increment in its Employer Contribution Rate Stabilization Policy from thirty-five one-hundredths of a percent (0.35%) of pay to one percent (1%) of pay and more quickly repay the unfunded liability in the System.

PART IV. CONFORMING CHANGES/DISABILITY INCOME PLAN/DEATH BENEFIT PLAN

SECTION 4.(a) G.S. 135-103(a) reads as rewritten:

"(a) The eligible participants of the Disability Income Plan shall consist of:

1. All teachers and employees in service and members of the Teachers' and State Employees' Retirement System or participants of the Optional Retirement Program on January 1, 1988.
2. All persons who become teachers and employees or re-enter service as teachers or employees and are in service and members of the Teachers' and State Employees' Retirement System or participants of the Optional Retirement Program after January 1, 1988.
3. All teachers and State employees who are not members of the Teachers' and State Employees' Retirement System or the Optional Retirement Program established under G.S. 135-5.1."

SECTION 4.(b) G.S. 135-5(l) reads as rewritten:

"(l) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is separate and apart from the Retirement System and under which the members of the Retirement System shall participate and be eligible for group life insurance benefits. Teachers and State employees who are not members of the Retirement System or the Optional Retirement Program established under G.S. 135-5.1 shall also participate and be eligible for benefits under this subsection and the provisions shall apply to them as though they are members. Upon receipt of proof, satisfactory to the Board of Trustees in their capacity as trustees under the Group Life Insurance Plan, of the death, in service, of a member who had completed at least one full calendar year of membership in the Retirement System, there shall be paid to such person as he shall have nominated by electronic submission prior to completing 10 years of service in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit. Such death benefit shall be equal to the greater of:"

..."
SECTION 4(c) G.S. 128-27(l) reads as rewritten:

"(l) Death Benefit Plan. – The provisions of this subsection shall become effective for any employer only after an agreement to that effect has been executed by the employer and the Director of the Retirement System. There is hereby created a Group Life Insurance Plan (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is separate and apart from the Retirement System and under which the members of the Retirement System shall participate and be eligible for group life insurance benefits. Local government employees whose employer is a participating employer in the Local Government Employees' Retirement System but who are not members of either the Local Government Employees' Retirement System or an equivalent locally sponsored retirement plan shall also participate and be eligible for benefits under this subsection, and the provisions shall apply to them as though they are members. Upon receipt of proof, satisfactory to the Board of Trustees in their capacity as trustees under the Group Life Insurance Plan, of the death, in service, of a member who had completed at least one full calendar year of membership in the Retirement System, there shall be paid to such person as he shall have nominated by electronic submission prior to completing 10 years of service in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

...."

PART V. ELIMINATE RETIREE MEDICAL FOR NEW HIRES

SECTION 5(a) G.S. 135-48.1(18) reads as rewritten:

"(18) Retired employee (retiree). – Retired teachers, State employees, and members of the General Assembly who (i) are receiving monthly retirement benefits from any retirement system supported in whole or in part by contributions of the State of North Carolina, the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System, or the Optional Retirement Programs established under G.S. 135-5.1 and G.S. 135-5.4 and (ii) earned contributory retirement service in one of these retirement systems prior to July 1, 2018, and did not withdraw that service, so long as the retiree is enrolled."

SECTION 5(b) G.S. 135-48.40 reads as rewritten:


(a) Noncontributory Coverage. – The following persons are eligible for coverage under the Plan, on a noncontributory basis, subject to the provisions of G.S. 135-48.43:

(1) Retired teachers, State employees, members of the General Assembly, Retired employees as defined in G.S. 135-48.1(18) and retired State law enforcement officers who retired under the Law Enforcement Officers' Retirement System prior to January 1, 1985. Except as otherwise provided in this subdivision, on and after January 1, 1988, a retiring employee or retiree must have completed at least five years of contributory retirement service with an employing unit prior to retirement from any State-supported retirement system in order to be eligible for group benefits under this Part as a retired employee or retiree. For employees first hired on and after October 1, 2006, and members of the General Assembly first taking office on and after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to a requirement that the future retiree have 20 or more years of retirement service credit in order to be covered by the provisions of this subdivision.
(b) Partially Contributory Coverage. – The following persons are eligible for coverage under the Plan, on a partially contributory basis, subject to the provisions of G.S. 135-48.43:

(3) Retired teachers, State employees, members of the General Assembly, Retired employees as defined in G.S. 135-48.1(18) and retired State law enforcement officers who retired under the Law Enforcement Officers’ Retirement System prior to January 1, 1985. Except as otherwise provided in this subdivision, on and after January 1, 1988, a retiring employee or retiree must have completed at least five years of contributory retirement service with an employing unit prior to retirement from any State-supported retirement system in order to be eligible for group benefits under this Part as a retired employee or retiree. For employees first hired on and after October 1, 2006, and members of the General Assembly first taking office on and after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to a requirement that the future retiree have 20 or more years of retirement service credit in order to be covered by the provisions of this subdivision.

(c) One-Half Contributory Coverage. – The following persons are eligible for coverage under the Plan, on a one-half contributory basis, subject to the provisions of G.S. 135-48.43:

(2) Employees and members of the General Assembly Retired employees as defined in G.S. 135-48.1(18) with 10 but less than 20 years of retirement service credit provided the employees were first hired on or after October 1, 2006, and the members first took office on or after February 1, 2007. For such future retirees, the State shall pay fifty percent (50%) of the Plan's total employer premiums. Individual retirees shall pay the balance of the total premiums not paid by the State.

(d) Fully Contributory Coverage. – The following persons shall be eligible for coverage under the Plan, on a fully contributory basis, subject to the provisions of G.S. 135-48.43:

(11) Retired teachers, State employees, and members of the General Assembly Retired employees as defined in G.S. 135-48.1(18) with less than 10 years of retirement service credit, provided the teachers and State employees were first hired on or after October 1, 2006, and the members first took office on or after February 1, 2007.

PART VI. EFFECTIVE DATE

SECTION 6. This act becomes effective July 1, 2018.