

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2017

H.B. 1055  
May 31, 2018  
HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH10456-MRp-114A

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

Sponsors: Representatives Collins, Ross, Dulin, and McNeill (Primary Sponsors).

Referred to:

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 provided to the Board of Trustees. ~~These~~ Notwithstanding Article 2A of Chapter 150B of the



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

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

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

11 ...

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

48           "b. Each employer shall transmit to the Retirement System on account of  
49 each member who retires on or after January 1, 2015, having earned  
50 his or her last month of membership service as an employee of that  
51 employer the lump sum payment, as calculated under G.S. 128-26(y)

1 for inclusion in the Pension Accumulation Fund, that would have been  
 2 necessary in order for the retirement system to restore the member's  
 3 retirement allowance to the pre-cap amount. Employers are not  
 4 required to make contributions on account of any retiree who became  
 5 a member on or after January 1, 2015, and who earned at least five  
 6 years of membership service in the Retirement System after January  
 7 1, 2015.

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

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

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

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

30 **"§ 135-48.47. Participation in State Health Plan by local government employees and**  
 31 **dependents.**

32 ...

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

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

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

40 **"§ 147.75.1. Criminal record checks for the Department of State Treasurer.**

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

- 44 (1) A current or prospective permanent or temporary employee of the Department  
 45 of State Treasurer.
- 46 (2) A contractor with the Department of State Treasurer.
- 47 (3) An employee or agent of a contractor with the Department of State Treasurer.
- 48 (4) A volunteer of the Department of State Treasurer.
- 49 (5) Any other individual otherwise engaged by the Department of State Treasurer  
 50 who will have access to health or financial information or data maintained by  
 51 the Department of State Treasurer that is confidential or otherwise nonpublic.

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

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

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