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## **House Bill 183(PCS) – Retirement Administrative Changes Act-AB**

The Department of State Treasurer aims to provide public employees and retirees, including teachers, police officers, firefighters, and public servants from all over the state with secure pensions and retirement. This agency request incorporates provisions that will improve efficiency of retirement operations; prevent fraud, waste, and abuse; and increase transparency of governance statutes.

### **Section 1: Overpayment Statute of Limitations/Fire and Rescue Overpayments**

*58-86-90; 135-5(n); 128-27(i)*

The provision clarifies a long standing interpretation that the Retirement System overpayment statutes of limitation against civil action do not limit the ability of the state to collect funds from an ongoing monthly benefit. Additionally, allows the Department to collect overpayments owed to other N.C. pension funds administered by the Department of State Treasurer from members of the Firefighters and Rescue Squad Workers' Pension Fund (FRSWPF) who are in receipt of a monthly benefit.

### **Section 2: Funding Policy Rewrite – Retirement Systems' Board Statutes**

*135-8; 128-27; 128-30; 135-5; 135-7; 135-64; 135-110; 120-4.27 and 143-166.60*

Affects the Boards of Trustees of the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees Retirement System (LGERS). Rewrites funding policy statutes consistent with recommendations from external audit of actuarial practices conducted by the Gabriel Roeder Smith firm in 2009 and findings from 2016 experience review performed for the Boards by the State's consulting actuary. Further, the provisions make changes necessitated for reporting under new pronouncements of the Governmental Accounting Standards Board (GASB) by making changes necessary for the "other post-employment benefit" (OPEB) plans administered by the Boards of Trustees to meet the revised definition of a "trust or equivalent arrangement." GASB Statement No. 74, becomes effective June 30, 2017 for disclosure in the State Comprehensive Annual Financial Report (CAFR). Meeting the trust definition creates more favorable treatment for the OPEB plans on the balance sheet disclosures required for municipal entities under GASB Statement No. 75, effective June 30, 2018.

### **Section 3: Electronic Change for Beneficiaries/Ten Years**

*135-5(f); 135-5(l); 135-63; 128-27(f); 128-27(l); 120-4.25*

Removes statutory prohibition against current state and local employees changing named beneficiaries online for death benefits only if they have more than ten years of service. Current law requires beneficiary changes be made using paper forms if the member has more than 10 years of service. This change will simplify administration of death benefits for the Retirement System and will facilitate the ability of employees to keep their beneficiary designation up to date.

### **Section 4: Clarify TSERS as a Multi-employer Plan for Accounting Purposes**

*135-1(11)*

Clarifies that TSERS is a multi-employer cost sharing plan for purposes of required disclosures under the Governmental Accounting Standards Board. This change codifies a long-standing interpretation that has been used by the state for key disclosures of pension liability.

### **Section 5: Legislative Enactment Implementation Arrangement (LEIA)**

*135-7 [(g) New]; 128-29 [(g) New]*

Provides an efficient method to accelerate cost-savings that could be realized through benefit changes by providing a method to fund updates to the retirement record-keeping system. The provision provides that when the General Assembly passes legislation that reduces the cost of providing retirement benefits; this allows the Board of Trustees to reinvest a portion of any immediate savings toward implementation of the cost-saving measure by the Retirement System.

## **Section 6: Counterfeit Warrants**

147-68.2

Allows the State Treasurer to protect portions of records regarding outstanding, unpaid state checks, called “warrants,” to the extent that the information contained therein could be used to counterfeit state checks. State Banking System staff have ascertained that there is sufficient information that is public record that could enable a counterfeiter to successfully pass a bad check to a community bank that does business with the State. The State Banking System would reject the check, resulting in a loss for the community bank.

## **Section 7: Enable Additional Public Employer Contributions to N.C. 457 Plan**

147-9.4

Allows all public employers to make additional employer contributions to employee 457 retirement accounts. This change provides parity for all public agencies to participate in this supplemental retirement program.

## **Section 8: 150B Exemption for actuarial factors/Clarify CBBC as Actuarial Factor**

150B-1(d)(29) [New]; 135-6(n); 128-28(o)

Clarifies that actuarial factors selected by the Board of Trustees do not require rule-making. Further clarifies that the anti-pension spiking benefit cap factor set by Board of Trustees is an actuarial factor.

## **Section 9: Applicability of Deposit Fee from State Funds**

143B-426.40G(b)

Removes \$15 fee for overdrawn checks to the State Banking System for agencies that only have State funds. Currently, the fee may not be paid with state funds and requires that an agency that only has state funds pay the fee from personal funds of the agency’s Chief Financial Officer.

## **Section 10: Standardize Employer Reporting of Sick Leave**

135-4(e); 128-26(e)

Requires that creditable service for unused sick leave be reported to the Retirement System in accordance with a standardized definition of hours per day and days in a week applicable for Retirement System purposes only. This change clarifies the process to make the sure that agencies are reporting their hours consistent with the law. Specifically, sick leave must be reported to the Retirement System as days granted as if the agency’s duly adopted sick leave policy awarded sick leave with a day being equal to eight hours within a 40-hour workweek. This change is a reporting requirement only and does not increase or decrease the amount of sick leave credited to a member. The Retirement System will provide a chart for agencies to use to convert their policy to the standardized reporting requirement.

## **Section 11: Technical Correction/Venture Capital Multiplier Fund**

147-69.2A(a)

Provides that the professional management firm selected to administer the investment fund must be “subject to the rules and regulation of,” rather than “registered with,” the US Securities and Exchange Commission.

## **Section 12: Technical Correction/Achieving a Better Life Act (ABLE)**

147-86.73(g1)

Replaces the phrase “application form” with “application packet” regarding the required location of Medicaid Clawback disclosures.

## House Bill 176 – Pensions Integrity Act-AB

The Department of State Treasurer aims to provide public employees and retirees, including teachers, police officers, firefighters, and public servants from all over the state with secure pensions and retirement. This agency request focuses on fraud, waste and abuse detection and prevention. Consequently, a number of these provisions are improvements to the anti-pension spiking contribution-based benefits cap law.

### Section 1: Fraud Statute Applicability/Compliance Investigations

*135-1(7b) [recodified as (c) and replaced]; 135-1 (11b); 135-6(q)-(r); 128-21(7b) [recodified as (c) and replaced]; 128-21(11b); 128-28(r)-(s)*

Provides guidelines and authorization for the Retirement Systems Compliance team that was recommended by the 2013-14 LRC study on *Treasurer Investment Targets and State Employee Retirement Options*. Primarily, this change allows the current fraud investigation statute to be used for compliance audits without first suspecting fraud. The Department is requesting this change in order to conduct compliance audits of agencies without creating a stigma of conducting fraud investigation.

### Section 2: Anti-Pension Spiking – CBBC Payment Plans

*135-4(jj); 128-26(y)*

Extends the length of current interest-free payment plans for monies owed to the Retirement System under the anti-pension spiking contribution-based benefit cap from 12 months to up to 15 months to allow agencies more time to correct records and to provide that payment plans may always cross a fiscal year. Optionally offers a payment plan of up to 27 months in length that charges interest at rate equal to the investment return assumption of the Retirement System. Also includes a technical correction to the original law regarding payments.

### Section 3: Authorize in Writing Municipal Deductions

*128-38.3 [(c)New]*

Authorizes local governments that had made arrangements with the Department prior to January 1, 2017, to continue to deduct monthly premiums for retiree health insurance from retiree benefits. Disallows additional local governments from making similar arrangements with the Department. Grandfathering would apply to Guilford, Forsyth, New Hanover, and Mecklenburg Counties as well as the Cities of Charlotte, Greensboro, and Raleigh.

### Section 4: Require Pension Spiking Reports be Transmitted to Governing Boards

*115C-436 [(c) New]; G.S. 135-8 [(j) New]; G.S. 128-30 [(j) New]*

Requires that chief financial officers of participating employers transmit a copy of pension spiking “watch reports” to chief executive officers and to governing boards. Because of the bifurcated funding mechanism used for traditional public schools, the chief financial officer of a public school system must also notify the board of county commissioners of the county in which the local administrative unit is located that the report was received and the number of employees listed in the report.

### Section 5: Sheriff Sick Leave/Tradeoff with LGERS

*143-166.84 [(c) New]*

Allows Sheriffs to use accumulated sick leave for credit that typically used for LGERS to be used for the Sheriff’s supplemental pension fund instead, provided the same leave is not used for both plans.

**Section 6: RSD Fraud or Compliance Investigations to Use Tax Returns**

*105-259(b)[(39a) New]*

Requires the N.C. Department of Revenue to provide copies of a member's state tax return on request by the Retirement Systems Division for use in fraud and compliance investigations.

**Section 7: Local Governments in RHBT/Prevent Conversion to ER Contributions**

*Modification of Series of Uncodified Local Laws  
S.L. 2004-124, S.L. 2006-7, S.L. 2005-276, and S.L. 2006-249*

Provides that the State Health Plan Board of Trustees may not approve resolutions allowing local governments that were allowed to participate in the State Health Plan under uncodified local laws passed in 2004, 2005, and 2006 to enroll retirees in the Retiree Health Benefit Plan after January 1, 2017. The original uncodified laws failed provide a mechanism for agencies that did immediately enroll retirees to pay for unfunded liability that accrued to the plan for retiree coverage, creating inequity with agencies that enrolled immediately.

**Section 8: Fiscal Discipline/Floor on Employer Contribution Rates**

*135-8(d)(1); 128-30(d) [(10) New]*

Sets a floor on the employer contribution rates for the state and local retirement systems. Prohibits the state from granting employer contribution holidays.

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## **House Bill 115 – Retirement Technical Corrections Act-AB**

*Sponsors: Dulin, Ross, and McNeill*

The Department of State Treasurer aims to provide public employees and retirees, including teachers, police officers, firefighters, and public servants from all over the state with secure pensions and retirement. This agency request incorporates provisions that will clarify interpretations of current state law, conform statutes to governmental accounting standards, correct errors, and increase efficiency of administration.

### **Section 1: Definition of Average Final Compensation and Vacation Payouts**

*135-1(5); 128-21(5)*

Prevents any member whose AFC period was not his final four years who wanted to argue that his AFC should include the value of the vacation leave he accrued at the point his compensation was reduced. This is a long standing interpretation of current statutes that is being codified for additional transparency.

### **Section 2: Educational Leave Clarification**

*135-8(b)(5); 128-30(b)(4)*

Amends Educational Leave statute to further clarify that members on educational leave for programs where they receive a stipend are eligible to purchase their service. This is consistent with the legislature's policy change in the 2015 budget bill.

### **Section 3: OPEB Committee/Funding Policy/GASB Change**

*135-48.12 [(i) New]*

This would add a new subsection (i) to G.S. 135-48.12, the Retiree Health Plan valuation committee statute addressing the requirements in paragraphs B129, B141-145 of GASB 75. Specifies that by selecting the OPEB valuation criteria, the OPEB committee is formally adopting a funding policy.

### **Section 4: Contract Certification Technical Correction**

*147-86.59*

Minor change to the Iran Divestment Act that relieves administrative burden on state agencies while keeping high level of compliance. This correction allows for state agencies to confirm whether or not a contract counter party is on the Iran Divestment List published by the Department of State Treasurer, instead of requiring signed certification from the counterparty. And, specifically allows that if a State agency and the same person enter into multiple contracts or multiple contract renewals or assumptions within 180 days after a certification is made, a new certification need not be made. This was section 42 of SB 821, the G.S. Technical Corrections bill from 2016 that was considered on the last day of the session, but wasn't passed before adjournment.

### **Section 5: ABLE Contracting with Other States**

*47-86.72 (h) and [(i) New]*

Clarifies authorization for the ABLE Board of Trustees to enter into a contracting relationship with another state to provide the N.C. ABLE program. Amendment makes the existing authority more transparent.

### **Section 6: Disability Income Plan of NC Investment Statute Clarification**

*147-69.2*

Corrects inadvertent omission by adding the "Disability Income Plan of North Carolina" to the list of funds in 147-69.2 that invested by the Treasurer. Currently this is provided for in the Disability plan statute. This change increases transparency of the responsibility.

### **Section 7: Unclaimed Property Technical Correction**

*S.L. 2015-68*

Restores section of unclaimed property statute unintentionally repealed in 2015.

### **Section 8: Repeal Outdated Requirement**

*147-69(12)(e)*

Repeals requirement to make rules by December 31, 2016 on topic deemed by Rules Review Commission staff to not be appropriate subject matter for promulgation.