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## Retirement Administrative Changes Act of 2015 – HB 277 (PCS)

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 legislative proposal incorporates provisions that will clarify interpretations of current law and increase efficiency of administration of the retirement systems administered by the Department.

**Statutes Affected:** 111-47.3 (*proposed*); 115C-438; G.S. 126-5(c13) (*proposed*); 120-4.31 (*proposed*) 150B-21.3A (*proposed*); 128-21(10a) & (10b) (*proposed*); 128-24(5)e. (*proposed*); 128-27(m3) (*proposed*); 128-30(g) (*proposed*); 128-30(g)(3); 147-69.2(b); 147-77; 135-1(20); 135-3(8)f. (*proposed*); G.S. 135-5(m4) (*proposed*); 135-8(f) (*proposed*); 135-8(f)(3); 135-74(c1) (*proposed*); G.S. 135-91(c); and 135-96.

**Primary Sponsors:** Ross, Gill, Goodman, and McNeill

**Cost:** This bill does not materially increase or decrease the liabilities or costs of the Retirement Systems.

**Type of Bill:** Public Agency Bill requested by the Department of State Treasurer

### SECTION ONE: Change Term Length and Impose Term Limits for Supplemental Board Members

The section changes the length of terms for members of the Supplemental Retirement Board of Trustees from two years to three years. It also sets a limit of two consecutive terms and staggers the expiration of the terms in order to ensure stability, flexibility, and continuity of governance.

### SECTION TWO: Revenue from Food Service Contracts to Services for the Blind

This section authorizes the Department of State Treasurer to contract with vendors for food services for employees. The net proceeds from such contracts will be transferred to the Division of Services for the Blind.

### SECTION THREE: Clarify Investment Statutes for Commingled Fixed Income

Amends the types of investment entity structures that are authorized for the State's externally managed fixed income investments. Currently, commingled vehicles such as limited partnerships, limited liability companies, and group trusts are authorized for the State Treasurer's other asset classes, but not fixed income. This provision would amend existing law to authorize externally managed fixed income investments to be made either by commingled structures or by investment management agreements, giving investments staff flexibility to evaluate the most cost-effective structures. This section also increases the maximum allowable waiver to public agencies for Daily Deposits into the state banking system, which has not been updated since 1985.

### SECTION FOUR: Clarify Statute to Encourage Volunteering during Separation of Service Period

This section clarifies the volunteer service provision in the definition of retirement under TSERS so as not to discourage retirees from working as volunteers in positions normally classified as *bona fide* unpaid volunteer positions during the six months following their effective date of retirement (the "separation of service" period). This clarification is intended to reduce the uncertainty surrounding return-to-work restrictions in statute and thereby encourage retirees to work as volunteers for State agencies. Additionally,

this section includes a technical correction that clarifies the distinction between the definition of retirement under TSERS and the definition of retirement for judges.

**SECTION FIVE: Require Employer Attestations of Data Accuracy**

This section requires participating employers to attest to the accuracy of their monthly data submissions to the Retirement Systems Division as part of ongoing annual audit procedures for compliance with latest standards from the Governmental Accounting Standards Board of the Financial Accounting Foundation.

**SECTION SIX: Improve Tools to Collect Monies Owed to the Retirement Systems**

This section improves the tools available to collect monies owed to the Retirement Systems by allowing the Office of State Budget and Management (OSBM) to redirect a portion of State-appropriated funds equivalent to the amount of monthly contributions due to the Retirement Systems if an employer fails to submit payment within 90 days.

**SECTION SEVEN: Clarify Rule-Making Provisions**

This section grants the Boards of Trustees the flexibility to prevent the expiration of administrative rules that protect inchoate rights of members of the Retirement System.

**SECTION EIGHT: Clarify Application of the 1,000-Hour Rule for LGERS Membership**

As recommended by the Department Committee reviewing Return-to-Work Legislation, this section clarifies the application of the “1,000-Hour Rule” and revises the definition of “employee” to exclude temporary employees and statutorily defined Interim City and County Managers.

**SECTION NINE: Human Resources Flexibility for Retirement Systems Division**

This section provides an exemption from the State Human Resources Act for staff of the Supplemental Retirement Plans.

**SECTION TEN: Clarify Procedures for Required Minimum Distributions**

This section clarifies the procedures for paying a member’s Required Minimum Distributions from the member’s accumulated contributions to the Retirement Systems and the conditions under which these procedures apply.

**SECTION ELEVEN: RTW Enforcement Flexibility**

This section changes the enforcement policy for *de minimus* separation of service violations.

**SECTION TWELVE: Effective Date**

This act becomes effective October 1, 2015, with the exception of Section 11, which becomes effective January 1, 2016.

*Prepared by the Retirement Systems Division staff, April 13, 2015*



# HOUSE BILL 264: Community Colleges 403(b) Plan.-AB

**This Bill Analysis  
reflects the contents  
of the bill as it was  
presented in  
committee.**

2015-2016 General Assembly

<b>Committee:</b>	House Pensions and Retirement, if favorable, Appropriations	<b>Date:</b>	March 30, 2015
<b>Introduced by:</b>	Rep. McNeill	<b>Prepared by:</b>	Karen Cochran-Brown Committee Counsel
<b>Analysis of:</b>	First Edition		

**SUMMARY:** *House Bill 264 amends the law governing community colleges to allow local boards of trustees to offer their employees participation in the North Carolina Public School Teachers' and Professional Educator's Investment Plan as operated by the Department of State Treasurer.*

### CURRENT LAW:

Under current law, the board of trustees of a community college may authorize the purchase of annuity or retirement income contracts for the benefit of faculty members, administrative officers, or any other employees of the community college. Funds for this purchase are derived from a reduction in the officer or employee's salary.

In lieu of the annuity or related contract, interests in a custodial account pursuant to Section 401(f), Section 403(b)(7) and related sections of the Internal Revenue Code may be purchased for the benefit of qualified employees with the funds derived from the reduction in salaries of these employees.

### BILL ANALYSIS:

Section 1 of House Bill 264 clarifies that local boards of trustees can continue to purchase interests in custodial accounts for the benefit of their employees pursuant to sections of the Internal Revenue Code using funds derived from salary reductions.

In addition to the authority described in Section 1, Section 2 of the bill adds a new section to the law authorizing local boards of trustees to offer participation in the North Carolina Public School Teachers' and Professional Educators' Investment Plan as operated by the Department of State Treasurer.

The following criteria apply to the Department of State Treasurer's 403(b) offerings to community college employees under this section:

- Annuity contracts, trust accounts, and/or custodial accounts must be administered by a qualified third-party administrator to provide custodial, record-keeping and administrative services
- Governance and oversight of the Plan will be performed by the Department of State Treasurer and the Board of Trustees of the North Carolina Supplemental Retirement Plans.
- Investment options must be solely determined by the Department of State Treasurer and the Board of the Supplemental Retirement Plans consistent with section 403(b) of the Internal Revenue Code.



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- Investment staff of the Department of State Treasurer may make recommendations as to appropriate investment options, but the State Treasurer and the Board of Trustees have sole responsibility for selection of the service provider.
- All contributions made under this section must be remitted directly to the administrator and held in a custodial account on behalf of the participating employee. Any investment gains or losses must be credited to those accounts.
- Any local board of trustees may elect to make contributions to the employee's account on behalf of the employee.
- The design and administration of annuity contracts, trust accounts, and custodial accounts under this section must comply with applicable provisions of the Internal Revenue Code.

**EFFECTIVE DATE:** This act becomes effective October 1, 2015.