

Retirement Monitor – TSERS Special Edition, October 8, 2015

A monthly newsletter for public sector human resources and payroll specialists from the Retirement Systems Division of the North Carolina Department of State Treasurer.

Digest of 2015 Legislative Action Affecting Members of the Teachers' and State Employees' Retirement System (TSERS)

Contributions to the Retirement System

Included in Section 30.20.(b) of the 2015 Appropriations Act - House Bill 97 (Session Law 2015-241)

Contributions for the 2015-2016 Fiscal Year:

State employer contribution rate for Teachers and State Employees = 15.32%

Retirement System Pension Fund	9.15%
Death Benefit Trust Fund	.16%
Retiree Health Benefit Fund	5.60%
Disability Income Plan	.41%
	<u>15.32%</u>

The contribution rate for State Law Enforcement Officers = 20.32%

Retirement System Pension Fund	9.15%
Death Benefit Trust Fund	.16%
Retiree Health Benefit Fund	5.60%
Disability Income Plan	.41%
Supplemental Retirement Income Plan	<u>5.00%</u>
	20.32%

State employer contribution rate for University and Community College Optional Retirement Program members = 12.85%; of this amount, the following is paid to the Retirement Systems Division:

Retiree Health Benefit Fund	5.60%
Disability Income Plan	.41%
	<u>6.01%</u>

Compensation Bonus Not Subject to Retirement Contributions

Included in Section 30.18A.(b) of the 2015 Appropriations Act - House Bill 97 (Session Law 2015-241)

Most employees employed in State-funded positions on November 1, 2015, will be paid a one-time "compensation bonus" of \$750 during the month of December 2015. This "compensation bonus" is not subject to employee and employer retirement contributions and will not be included in the calculation of a TSERS member's average final compensation at retirement.

Qualified Excess Benefit Arrangement Sunset Extended

Included in Section 30.30(A).(a) of the 2015 Appropriations Act - House Bill 97 (Session Law 2015-241)

The sunset of eligibility to participate in the Qualified Excess Benefit Arrangement (QEBA) has been changed from January 1, 2015, to August 1, 2016. QEBA was created effective January 1, 2014, to pay the part of a highly compensated retiree's retirement allowance that would otherwise be payable except for the limitation under section 415(m) of the Internal Revenue Code. Based on this change, a TSERS member who retires on or before July 1, 2016, will be eligible to participate in QEBA. A TSERS member who retires on or after August 1, 2016, will not be eligible to participate in QEBA, and will not be paid more retirement benefits than allowed under section 415(b) of the Internal Revenue Code.

Changes to TSERS Educational Leave Purchase Requirements

Included in Section 30.30 of the 2015 Appropriations Act - House Bill 97 (Session Law 2015-241)

Changes, effective July 1, 2015, TSERS educational leave purchase requirements to specify that a leave of absence or interrupted service may be approved for purchase for a period of employment as a teacher in a charter school. Any other leave of absence or interrupted service will qualify for educational leave purchase only if (i) during the time of the leave or interrupted

service the member is enrolled and participates in a full-time degree program at an accredited institution of higher education, (ii) the member is not paid for the activity in which he or she is acquiring knowledge, talents, or abilities, and (iii) the service is not purchased for any month in which the member performed any services for the following organizations or their successors: State Employees Association of North Carolina, North Carolina Association of Educators, North Carolina State Firemen's Association, North Carolina Highway Employees' Association, North Carolina Teachers' Association, State Employees' Credit Union, alumni associations of state-supported universities and colleges, local professional associations of teachers and State employees, and North Carolina School Boards Association.

Retirement System Technical Corrections Bill

Included in House Bill 274 (Session Law 2015-67)

Section 2 – Clarifies, effective July 1, 2015, that when a Disability Income Plan recipient's benefit is reduced during the first 36 months of the long-term disability period by an amount equal to a primary Social Security retirement benefit, this reduction becomes effective as of the first of the month following the month of initial entitlement to the Social Security benefit.

Section 6 – Clarifies, effective July 1, 2015, that a TSERS employer is required to pay employer and employee contributions to TSERS for the full period that a member was in active military duty if the employee was a TSERS member immediately prior to the active duty military service and returns to employment under TSERS within two years after the military duty.

Agency Participation Procedures Act

Included in House Bill 276 (Session Law 2015-168)

Section 1 – Removes, effective January 1, 2016, the 30-day requirement for new charter schools to elect to participate in TSERS. Currently, charter schools that do not elect to participate within 30 days of obtaining their charter must seek legislative approval to enter the Retirement System. This legislation allows the TSERS Board of Trustees to approve entry for charter schools that have been in operation for more than one year based on the results of an actuarial and financial review. Charter schools may also participate in the Retirement System during their first year of operation on a provisional basis and must be approved by the Board of Trustees to continue participation in TSERS after the end of their first year of operation based on the results of an actuarial and financial review.

Section 4 – Requires, effective January 1, 2016, that in the event of a voluntary or involuntary dissolution of a charter school, certain funds reserved for closure proceedings must be used to pay wages owed to charter school employees, funds owed to TSERS, and funds owed to the State Health Plan, in that order.

Retirement System Administrative Changes Bill

Included in House Bill 277 (Session Law 2015-164)

Section 1.(a) and (b) – Changes, effective October 1, 2015, the length of terms for members of the Supplemental Retirement Board of Trustees from two years to three years. It sets a limit of two consecutive terms for Board members. In addition, the new law terminates the terms of all present members of the Board, effective June 30, 2016, and staggers the expiration of newly established terms in order to ensure stability, flexibility, and continuity of governance.

Section 4 – Allows, effective October 1, 2015, TSERS retirees to serve in positions normally designated as unpaid bona fide volunteer positions for a TSERS employer during the six-month period immediately following the effective date of their retirement without a penalty. This provision applies to retirees who perform service in a position in which any persons performing that type of service would not be paid. Otherwise, the retiree will be subject to a penalty if other individuals performing that type of service are typically paid.

Section 5.(a) – Provides, effective October 1, 2015, that the submission of required monthly information by a TSERS employer to the Retirement Systems Division constitutes a certification of the accuracy of the information by the employer submitting the information, as required under accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation (GASB).

Section 6.(a) and (c) – Provides, effective October 1, 2015, that if an employer fails to submit required payments to TSERS within 90 days of the date due, the Retirement System may collect delinquent payments by intercepting State appropriations allocated to the delinquent employer. Upon notification from the Retirement System of the employer's failure to submit payment, the Office of State Budget and Management must withhold an amount equal to the amount due to the Retirement System from any State appropriations allocated to the employer and transmit the amount to the Retirement System. It also provides that the Board of Education must withhold from any State appropriation due to a local school administrative unit an amount equal to the sum of all delinquent contributions and payments due to the Retirement Systems Division and remit that amount to the Retirement Systems Division.

Section 10.(a) – Requires, effective October 1, 2015, in most cases, TSERS to pay benefits to non-retired members with open TSERS accounts by April 1 of the year following the year in which the member reaches age 70 1/2 or ceases to be an employee, whichever is later. Members who are vested (5 or more years of membership service) will receive a monthly retirement benefit based on the Maximum Allowance. Non-vested members will receive a refund of their contributions and interest.

Section 11.(a) – Changes, effective October 1, 2015, the financial penalty for a TSERS retiree who returns to work with a TSERS employer on a part-time, temporary, interim, or fee for service basis, during the six months immediately following TSERS retirement, to the lesser of the following as determined by the Retirement System:

- (i) The member can be deemed to have retired the month after the month the member performed services for the employer and repay all retirement benefits received and the cost of State-provided State Health Plan premiums until that date
- (ii) The member can make a lump sum payment to the Retirement System equal to three times the compensation earned during the six-month period

NC 403(b) Plan for Community College Employees

Included in House Bill 264 (Session Law 2015-169)

Section 2 – Allows, effective October 1, 2015, community college boards of trustees to extend eligibility to participate in the NC 403(b) Plan to community college employees.

Line-of-Duty Death Benefit Changes

Included in Senate Bill 99 (Session Law 2015-88)

Section 9 – Changes, effective July 1, 2015, the payment of the death benefit to the beneficiary of a law enforcement officer, firefighter, rescue squad worker or Senior Civil Air Patrol member killed in the line of duty to a lump sum payment of \$50,000. Previously, this benefit was paid in installments of \$20,000 for the first year and \$10,000 for each of the next three years.

Other Legislation Affecting Retirement System Members

State Health Plan Changes

Included in House Bill 190 (Session Law 2015-100)

Section 1 – Allows, effective July 1, 2015, retirees and surviving spouses to drop State Health Plan coverage for themselves and their dependents without having a qualifying event or being within the annual enrollment period.

Achieving a Better Life Experience (ABLE) Program Establishment

Included in House Bill 556 (Session Law 2015-203)

Allows, effective August 11, 2015, the Department of State Treasurer to establish and administer an Achieving a Better Life Experience (ABLE) Program within the guidelines of the federal ABLE Act to facilitate and encourage the contribution of private funds to accounts that eligible individuals with disabilities may use for certain qualified expenses.