



North Carolina Retirement Systems

Digest of 2010 Legislative Action Affecting Members of the Teachers' and State Employees' Retirement System (TSERS)

Contributions to the Retirement System

Included in Section 6.(c) of the 2010 Appropriations Act - Senate Bill 897

Contributions for the 2010-2011 Fiscal Year:

State employer contribution rate for Teachers and State Employees = 9.15%

Retirement System Pension Fund	3.57%
Death Benefit Trust Fund	.16%
Retiree Health Plan Reserve	4.90%
Disability Income Plan	<u>.52%</u>
	9.15%

Plus 1.36% to a reserve in the Office of State Budget and Management (OSBM) to be transferred to the TSERS only if not needed as an adjustment, as required by Sections 2.3.(a) and 2.3.(b) of this bill, to cover a portion (\$139 million) of a potential loss of \$518 million in federal Medicaid funds if Congress does not authorize these funds prior to January 1, 2011. OSBM will issue guidance on the 1.36% reserve, including how federal and local funds should be handled. The Retirement System will NOT accept the 1.36% directly from an employer.

The contribution rate for State Law Enforcement Officers = 14.15%

Retirement System Pension Fund	3.57%
Death Benefit Trust Fund	.16%
Retiree Health Plan Reserve	4.90%
Disability Income Plan	.52%
Supplemental Retirement Income Plan	<u>5.00%</u>
	14.15%

Plus 1.36% to a reserve in the OSBM as described above.

State employer contribution rate for University and Community College Optional Retirement Program members = 12.26%; of this amount, the following is paid to the Retirement Systems Division:

Retiree Health Plan Reserve	4.90%
Disability Income Plan	<u>.52%</u>
	5.42%

Contribution Rate for Local-Paid Portion of Salary for Community College Presidents

Included in Senate Bill 740

Requires, effective July 1, 2010 through June 30, 2011, an employer contribution rate of 12.29% on the local-paid portion of salary paid from local funds for community college presidents.

Reciprocity for Optional Retirement Program Service

Included in House Bill 1998

Adds, effective July 1, 2010, Optional Retirement Program (ORP) service to the TSERS reciprocity provisions which allows ORP service standing to the credit of a member of the ORP to be added to a member's creditable service in the TSERS for the purpose of determining eligibility for TSERS benefits.

Retirement System Technical Corrections Bill

Included in House Bill 2054

This bill makes technical changes and corrections to the statutes governing the Teachers' and State Employees' Retirement System.

Effective July 1, 2010:

Section 1.(a) – Clarifies that, except under a few specific conditions (outlined on the Form 6E in Section E—see Sample Form 6E on our Web site at www.myncretirement.com), a retiree may not change his/her option election or survivorship beneficiary designation after cashing the first retirement check or after the 25th day of the month following the month in which the first check is mailed, whichever comes first.

Section 2.(a) – Clarifies that the Survivor's Alternate Benefit is payable if an active member's death occurs within 180 days from the last day of service, one and only one beneficiary is eligible for the return of contributions, and the member has not commenced receiving monthly TSERS benefits.

Section 3.(a) – Clarifies that a Disability Income Plan recipient who has been approved for benefits but is not yet in receipt of benefits due to lump-sum payouts of vacation and bonus leave who has five or more years of contributing retirement service with an employing unit of a State-supported retirement system is eligible for non-contributory State Health Plan coverage.

Section 3.(b) – Clarifies that an extended short-term Disability Income Plan recipient is eligible for the death benefit for active employees.

Section 4.(a) –

- Clarifies that a TSERS retiree who suspends his/her TSERS benefit and returns to work under the TSERS for a period of three or more years will have the following choices upon ceasing TSERS employment:
 - a) Receive one recalculated benefit based on combined service

- b) Restore previous account(s) and receive a refund of contributions based on most recent account service
- Clarifies that a TSERS retiree who suspends his/her TSERS benefit and returns to work under the TSERS for a period of less than three years will have the following choices upon ceasing TSERS employment:
 - a) Restore previous account(s) and receive another benefit based only on most recent period of service
 - b) Restore previous account(s) and receive a refund of contributions based on most recent account service
 - c) Restore previous account(s) and leave most recent account open (pending another subsequent return to service)

Section 5.(a) – Clarifies that an elected government official convicted of certain offenses who must forfeit all TSERS retirement benefits is always eligible to receive a refund of his/her own contributions made to the TSERS.

Section 6.(a) – Increases the time before a retirement application is cancelled if member fails to respond by not returning the election form (Form 6E or 7E) from 90 to 120 days after the election form is mailed or 120 days after the effective date of retirement, whichever is later.

Section 7 – Changes the effective date of offset for a long-term Disability Income Plan recipient who receives a Social Security (SS) cost-of-living adjustment (COLA) from the month of the SS increase (December) to the month following the month (January) in which the member becomes eligible for the SS increase.

Section 8.(a) – Adds “wrongful demotion” or “a demotion...reversed retroactively” to conditions allowing for a retroactive adjustment in compensation.

Section 11.(a) – Allows a law enforcement officer (LEO) to transfer any portion of eligible contributions from the NC 401(k) Plan to the TSERS and receive a special monthly allowance based on the eligible account balance on the date of the transfer. (Prior to July 1, 2010, the LEO had to transfer all or none of his NC 401(k) plan contributions.)

Furloughs Authorized for Certain Public School and University Employees

Included in Sections 29.1 and 29.4 of Senate Bill 897

Allows, effective June 30, 2010 through June 30, 2011, certain education employers to implement furloughs under specific conditions outlined in Sections 29.1 and 29.4 of Senate Bill 897. Employers must contact the Teachers’ and State Employees’ Retirement System for additional details and instructions on the procedure for handling retirement contributions during furloughs.

Special Retirement Allowances

Included in House Bill 2066

Allows any TSERS retiree who retires on or after January 1, 2011 to make a one-time election at retirement or following retirement to transfer any portion of his/her eligible accumulated contributions, not including Roth contributions and earnings, in the NC 401(k) and/or NC 457 Plans to the TSERS and receive a special monthly retirement allowance based upon his/her transferred balance. Transfers are not allowed from any other 401(k), 403(b), 457, or IRA accounts. Any retiree who retired prior to January 1, 2011 will also be allowed to make the one-time election, but not until July 1, 2011. Allowances will be available without cost-of-living increases and with cost-of living increases. (Prior to January 1, 2011, only a law enforcement officer can transfer NC 401(k) plan contributions to the TSERS and receive a special retirement allowance.)

NOTE: Educational materials will be available closer to January 1, 2011 which explain the relationship between the transferred balance and the monthly benefit, the survivorship options available, how the member's heirs may be impacted, the amount of the allowance with and without cost-of-living adjustments, and any costs and fees involved. These educational materials will be posted on our Web site at www.myncretirement.com before January 1, 2011. We are unable to provide detailed information to you until that time.

Local Supplementation of Judicial Salaries

Included in Section 29.7 of Senate Bill 897

Allows, effective July 1, 2010, local governments to supplement the salaries of nonelected Judicial Department employees in cities and counties with a population of 300,000 or more. Any employee who receives a local salary supplement under this provision must be notified before receiving it that the supplementation is subject to the availability of local funds which may be discontinued at any time and is not "compensation" for purposes of the TSERS or the Consolidated Judicial Retirement System.

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