



## **North Carolina Retirement Systems**

**Richard H. Moore**  
State Treasurer

**Michael Williamson**  
Director

September 23, 2005

Dear Human Resources and Benefits Professionals:

The Department of State Treasurer is pleased to provide you with the attached *Legislative Digest* from the 2005 session of the North Carolina General Assembly. This document includes a summary of ratified legislation related to the Teachers' and State Employees' Retirement System along with a brief description of each change.

Legislators granted a 2.0% Cost-of-Living Adjustment to retirees of the Teachers' and State Employees' Retirement System and repaid \$25 million to the System before adjourning in August. The \$25 million repayment is the third toward \$127 million diverted from the System in 2001 to help address a significant state budget shortfall. Repayments of \$10 million and \$20 million were made to the System in 2003 and 2004 respectively. I am working with legislators to ensure every penny of the funds diverted will be returned by 2008, as promised. We have confidence that legislators will keep this commitment and complete the repayments on schedule.

Lawmakers in 2005 also granted funding to continue ORBIT (Online Retirement Benefits through Integrated Technology), a 4-year project to rebuild the Retirement Systems Division's technology infrastructure. Human resources and benefits professionals, along with employees and retirees, will reap the benefits of this project through 24-hour online access to critical retirement information. ORBIT will change the way you submit information to the Retirement System and dramatically increase the quantity and quality of information available to you. In the months to come, we will distribute a schedule of ORBIT trainings designed to help you learn the new system, which will go live for all employees in May 2007.

For the last five years, improving customer service has been a primary focus of the Department of State Treasurer. We have installed a toll-free telephone line, greatly reduced telephone hold times, created the Employer Educational Services Unit and established the *Retirement Monitor Update*, which provides regular information updates to you. ORBIT is the next big step in our effort to deliver excellent customer service to North Carolina's dedicated public employees and retirees. We are grateful to members of the General Assembly for their continued support of our Department in this and other initiatives.

We hope you find this 2005 *Legislative Digest* helpful and informative. Please contact the Retirement Systems Division at 1-877-807-3131 (toll-free) or 919-807-3131 (in the Raleigh area) if you need additional information.

Sincerely,

Richard H. Moore

**2005 Legislative Digest**  
**Teachers' and State Employees' Retirement System**

**Retirement System Payback**

*Included in Senate Bill 622*

Includes a contribution of \$25 million for '05-'06 as the third installment of "payback" to the Retirement System for state employer contributions redirected by the Governor in 2001 to help balance the budget.

**Cost-of-Living Adjustments for Retirees of the State System**

*Included in Section 29.25.(a) of the 2005 Appropriations Act—Senate Bill 622*

The Cost-of-Living Adjustment (COLA) effective July 1, 2005 for retirees in the Teachers' and State Employees' Retirement System who retired on or before July 1, 2004 is 2%. Those retiring after July 1, 2004, but before June 30, 2005 will receive a prorated amount of the 2% increase.

**Customer Service Improvements at the Retirement Systems Division**

*Included in the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets—Senate Bill 622*

**Online Retirement Benefits through Information Technology (ORBIT) —**

Provides funding to pay for the third (implementation) phase ('05-'06) of ORBIT, which will replace the multitude of outdated information technology systems in the Division with an integrated system for all retirement plans. This funding will cover the third year of a four-year project.

**Contributions to the Retirement System**

*Included in Section 29.24.(b) of the 2005 Appropriations Act—Senate Bill 622*

Contributions for the 2005—2006 Fiscal Year:

State employer contribution rate for Teachers and State Employees = 6.82%

|                                |             |
|--------------------------------|-------------|
| Retirement System Pension Fund | 2.34%       |
| Death Benefit Trust Fund       | .16%        |
| Retiree Health Plan Reserve    | 3.80%       |
| Disability Income Plan         | <u>.52%</u> |
|                                | 6.82%       |

The contribution rate for State Law Enforcement Officers = 11.82%

|                                     |              |
|-------------------------------------|--------------|
| Retirement System Pension Fund      | 2.34%        |
| Death Benefit Trust Fund            | .16%         |
| Retiree Health Plan Reserve         | 3.80%        |
| Disability Income Plan              | .52%         |
| Supplemental Retirement Income Plan | <u>5.00%</u> |
|                                     | 11.82%       |

## **Conform Retiree Return to Teach Without Loss of Retirement Benefits Provision to IRS Guidelines/Option Extended**

*Included in Sections 29.28.(a) through (f) of the 2005 Appropriations Act—Senate Bill 622 and Section 43 of House Bill 320*

Specifies that, effective August 1, 2005, retirees returning to teach full-time, exempt from the earnings cap, may not be employed in *any* capacity with a public school for at least six months immediately preceding the date of reemployment.

Extends the exemption from the earnings cap until June 30, 2007, as it applies to retired members who return to teach at more than 50% time after a six-month break in service.

Continues the requirement of local school administrative units to pay to the Teachers' and State Employees' Retirement System a Reemployed Teacher Contribution Rate of 11.70% of covered salaries for retired reemployed teachers who are exempt from the earnings cap.

For additional information about the changes regarding retirees returning to work, please see *Guidance on 2005 Return to Work Law Changes for Retirees of the Teachers' and State Employees' Retirement System*, which is available at [www.nctreasurer.com](http://www.nctreasurer.com).

## **Change in Definition of “Retirement” Effective November 1, 2005**

*Included in Sections 29.28.(e) and (f) of the 2005 Appropriations Act—Senate Bill 622*

Rewrites the definition of “retirement” for teachers and state employees, effective November 1, 2005, to specify a complete separation from active service, with no intent or agreement, express or implied, to return to service. Further specifies that *no service*, including part-time, temporary, substitute, or contractor service, may be rendered for six months immediately following the effective date of retirement. Exempts participants of the UNC Phased Retirement Program until June 30, 2007.

For additional information about the changes regarding retirees returning to work, please see *Guidance on 2005 Return to Work Law Changes for Retirees of the Teachers' and State Employees' Retirement System*, which is available at [www.nctreasurer.com](http://www.nctreasurer.com).

## **Change in Disability Income Plan (DIPNC) Long-Term Disability Definition Effective August 1, 2006**

*Included in Sections 29.30B.(a) and (b) of the 2005 Appropriations Act—Senate Bill 622*

Changes DIPNC long-term disability definition change date from 8/1/05 to 8/1/06.

NOTE: Effective August 1, 2006, G.S. 135-106(a) is amended to change the definition of long-term disability to “unable to perform any occupation or employment commensurate to the beneficiary’s or participant’s education, training, or experience, which is available in the same commuting area for State employees or

within the same local school administrative unit for school personnel, without an adverse impact on the beneficiary's or participant's career status, and in which the beneficiary or participant can be expected to earn not less than sixty-five percent (65%) of that beneficiary's or participant's pre-disability earnings." This section becomes effective August 1, 2006, and applies only to persons who are not vested in the disability plan in question on that date.

## **Retirement System Technical Changes**

*Included in House Bill 710*

Makes changes to the Teachers' and State Employees' Retirement System (TSERS) and the Disability Income Plan (DIPNC).

### **Section 1.** G.S. 135-4(e)

Clarifies that in calculating retirement benefits, one month of creditable service is allowed for every 20 days of sick leave or part thereof, but not less than 1 hour.

### **Section 2.** G.S. 135-5(g)

Clarifies that when a member has elected Option 2 or 3 at retirement and designates the spouse as beneficiary but the spouse predeceases member, if the member remarries the member can name the new spouse under selected option within 90 days of remarriage and must properly notify the Retirement System of such change within 120 days of remarriage.

### **Section 3.** G.S. 135-5(g1)

Clarifies in cases when the Survivor's Alternate Benefit is payable, that if the principal beneficiary dies before all accumulated contributions have been received, a lump sum payment will be made to the person or persons named as contingent beneficiary(ies) by the member or to the principal beneficiary's legal representative. (Makes the contingent beneficiary the recipient of benefit if principal beneficiary dies, rather than the member's estate. If no contingent beneficiary, then it reverts to beneficiary's estate.)

### **Section 4.** G.S. 135-10.1

Establishes in statute an administrative code provision that if a member elects not to respond within 90 days after preliminary option figures for retirement and Election of Benefits forms have been mailed to the member, then the retirement application is void and a new application must be filed. Also clarifies that if an applicant for disability retirement fails to supply additional requested medical information within 90 days of request, the application will be null and void, unless the member is eligible for an early or service retirement, in which case the retirement will be processed accordingly.

### **Section 6.1.** G.S. 135-106(a)

Changes, effective December 1, 2004, eligibility for DIPNC long-term disability benefits from requiring five years of membership service within 96 calendar months prior to the conclusion of the short-term disability period or cessation of salary

continuation payments, whichever is later, to requiring five years of membership service within 96 calendar months prior to becoming disabled or upon cessation of continuous salary continuation payments, whichever is later.

**Section 7. G.S. 135-111**

Establishes that the provisions under Section 4 apply to the Disability Income Plan. Requires a new application if applicant has not responded within 90 days of receiving a request from the Retirement System Division.

*Created by the Retirement Systems Division, NC Department of State Treasurer, 9/23/05*