



Summary of 2018 Legislative Changes Affecting Retired School Personnel

June 2018

The 2018 “short session” of the North Carolina General Assembly began May 16, 2018 and adjourned just over six weeks later. The primary responsibility of lawmakers was to “tweak” the state biennial budget that was crafted last year. After a massive rally by teachers and education advocates demanding more for students and teachers in public schools and in the wake of far too many mass shootings at schools around the country, the legislature focused a good bit of its time on public school safety. Lawmakers, however, wasted little time in presenting a recommended budget package, referred to as the *Joint Conference Committee Report* for Senate Bill 99, Appropriations Act of 2018. This never-before-seen maneuver of presenting a “conference report” budget basically meant that a handful of budget leaders in both chambers drew up a proposed budget, with little or no input from most other legislators, and presented this as a bill on which the House and Senate had to either vote ‘yes’ or ‘no’ (no amendments were allowed)! With the majority party leading the way and providing the votes, the \$23.9 billion budget was passed rather quickly and sent to the Governor. Governor Cooper promptly vetoed it, saying there was not enough money allotted for public education and the environment and that the budget afforded irresponsible new tax breaks for corporations and the wealthy. The legislature overrode the Governor’s veto of the budget, passed a hundred other bills, including several requiring Constitutional amendments and wrapped up the session.

2018 STATE BUDGET ACT (Senate 99, Appropriations Act of 2018)

++ COLA and salary increases

The budget grants a 1% one-time supplement (not a recurring COLA) for retirees of TSERS, Judicial Retirement, and Legislative Systems. NOTE: The Governor’s budget recommendation included a 1% permanent COLA for retirees.

Teachers will receive an average 6.5% salary increase. Correctional personnel will receive a 4% raise and their line-of-duty death benefit will double.

The Budget Act also provides a 2% salary increase for most state employees plus 5 days of bonus vacation leave. It also sets a \$15 an hour minimum wage (\$31,200 annually) for state employees, becoming the first state in the nation to do so. This minimum applies to all permanent employees in state agencies and universities, except non-certified school personnel!

++ Retirement Funding: The budget provides full funding for the Annual Required Contribution (ARC) to the Teachers and State Employees Retirement System (TSERS) --- 12.29% contribution rate for TSERS for 2018-'19.

++ State Health Plan (SHP) Funding: The budget provides full funding for the SHP—6.27% contribution rate for Retiree Health for 2018-'19.

++OTHER BILLS OF INTEREST

HB 651 State Pensions/Retirement Health Benefit Fund Solvency – Passed the House last session and Ratified this session—Establishes the Unfunded Liability Solvency Reserve where funds can be allocated and transferred to the Health Benefit Fund or the Retirement System for the purpose of reducing the unfunded liabilities of either.

HB 977 Administrative Changes Retirement System/Treasurer 2018—AB—Ratified ---This bill was requested by the State Treasurer's Office. It makes clarifying and administrative changes to existing Retirement and SHP laws including such things as forfeiture of retirement benefits for certain felonies committed while serving as an elected government official.

HB 985 Retirement Technical Corrections Act of 2018 AB—Ratified-- This bill was requested by the State Treasurer's Office and makes conforming changes to statutes governing the Retirement System and the State Health Plan.

HB 1055 Retirement Reduction Complexity Act of 2018—AB—Ratified—This bill was requested by the State Treasurer's Office and reduces the complexity of retirement benefits. Provides administrative efficiencies for the Retirement Systems and SHP and makes numerous changes to creditable service and repayment of contributions to the Retirement System.

HB 1056 Financial, Accountability, Integrity and Recovery of Assets (FAIR) Act of 2018—AB—Ratified—Requested by the Treasurer's Office, this bill "promotes financial accountability, integrity, and recovery of assets of TSERS, LGERS, Judicial, and Legislative Retirement System, the Firefighters and Rescue Squad Pension Fund, the Disability Income Plan, and the SHP." This bill does eliminate three (3) of the six (6) retirement options currently available to retiring members: *Option 4, Social Security Leveling, will no longer be available for members retiring on or after December 1, 2018. For employees who retire on or after December 1, 2018, Pop-up Options 6-2 and 6-3, (which provides reinstatement of benefits based on the beneficiary predeceasing the member retiree), will no longer be available.* Retirees who elected any of these three prior to this date will not be impacted by this legislative change.