

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2019

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HOUSE BILL 231  
Committee Substitute Favorable 7/23/19  
Senate Appropriations/Base Budget Committee Substitute Adopted 10/23/19  
Senate Pensions and Retirement and Aging Committee Substitute Adopted 10/23/19

Short Title: UNC & Comm. Coll. Pay/Retiree Bonus.

(Public)

Sponsors:

Referred to:

March 4, 2019

A BILL TO BE ENTITLED

AN ACT, CONSISTENT WITH HOUSE BILL 966 OF THE 2019 REGULAR SESSION, TO APPROPRIATE FUNDS TO PROVIDE LEGISLATIVELY MANDATED SALARY INCREASES TO EMPLOYEES OF THE UNIVERSITY OF NORTH CAROLINA SYSTEM AND THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM AND TO PROVIDE ONE-TIME COST-OF-LIVING SUPPLEMENTS FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

**PART I. COMMUNITY COLLEGE AND UNC APPROPRIATIONS**

**SECTION 1.1.** Community College Salary Increase. – Effective July 1, 2019, there is appropriated from the General Fund to the North Carolina Community College System the sum of twelve million four hundred thousand dollars (\$12,400,000) for the 2019-2020 fiscal year and the sum of twenty-four million eight hundred thousand dollars (\$24,800,000) for the 2020-2021 fiscal year to provide legislatively mandated salary increases for State-funded employees as authorized by this act.

**SECTION 1.2.(a)** UNC Salary Increase. – Effective July 1, 2019, there is appropriated from the General Fund to the Board of Governors of The University of North Carolina the sum of fifteen million dollars (\$15,000,000) in recurring funds for the 2019-2020 fiscal year and the sum of thirty million dollars (\$30,000,000) in recurring funds for the 2020-2021 fiscal year to provide legislatively mandated salary increases for State employees as authorized by this act.

**SECTION 1.2.(b)** UNC Faculty Retention. – Effective July 1, 2019, there is appropriated from the General Fund to the Board of Governors of The University of North Carolina the sum of six million dollars (\$6,000,000) in recurring funds for the 2019-2020 fiscal year and the sum of eleven million four hundred thirty-three thousand four hundred thirteen dollars (\$11,433,413) for the 2020-2021 fiscal year to provide funds for faculty retention in The University of North Carolina system.

**PART II. COMMUNITY COLLEGES**

**SECTION 2.1.(a)** For the 2019-2021 fiscal biennium, the community college boards of trustees may provide personnel a salary increase pursuant to the policies adopted by the State



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1 Board of Community Colleges. Funds for compensation increases may be used for any one or  
 2 more of the following purposes: (i) merit pay, (ii) across-the-board increases, (iii) recruitment  
 3 bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to policies  
 4 adopted by the State Board of Community Colleges. The State Board of Community Colleges  
 5 shall report to the General Assembly and the Fiscal Research Division on the use of these funds  
 6 by no later than March 1, 2020, and March 1, 2021.

7 **SECTION 2.1.(b)** Effective July 1, 2019, the minimum salaries for nine-month,  
 8 full-time curriculum community college faculty for the 2019-2021 fiscal biennium are as follows:

| <u>Education Level</u>                  | <u>Minimum Salary</u> |
|---|-----------------------|
| Vocational Diploma/Certificate or Less  | \$37,581              |
| Associate Degree or Equivalent          | 38,103                |
| Bachelor's Degree                       | 40,371                |
| Master's Degree or Education Specialist | 42,382                |
| Doctoral Degree                         | 45,282                |

16 No full-time faculty member shall earn less than the minimum salary for his or her  
 17 education level.

18 The pro rata hourly rate of the minimum salary for each education level shall be used  
 19 to determine the minimum salary for part-time faculty members.

### 21 **PART III. UNIVERSITY OF NORTH CAROLINA SYSTEM**

22 **SECTION 3.1.** For the 2019-2021 fiscal biennium, the Board of Governors of The  
 23 University of North Carolina may provide employees with salary increases pursuant to the  
 24 policies adopted by the Board. Funds for compensation increases may be used for any one or  
 25 more of the following purposes: (i) merit pay, (ii) across-the-board increases, (iii) recruitment  
 26 bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to those  
 27 policies. The Board of Governors of The University of North Carolina shall report to the General  
 28 Assembly and the Fiscal Research Division on the compensation increases awarded by no later  
 29 than March 1, 2020, and March 1, 2021.

### 31 **PART IV. SPECIAL ANNUAL LEAVE**

32 **SECTION 4.1.(a)** Special Annual Leave. – Any person who is (i) a full-time  
 33 permanent employee of The University of North Carolina or a community college institution on  
 34 July 1, 2019, and (ii) eligible to earn annual leave shall have a one-time additional five days of  
 35 annual leave credited on July 1, 2019.

36 **SECTION 4.1.(b)** The additional leave granted in this section shall be accounted for  
 37 separately in the same manner as the leave provided by Section 35.26 of S.L. 2018-5 and shall  
 38 remain available during the length of the employee's employment, notwithstanding any other  
 39 limitation on the total number of days of annual leave that may be carried forward. Part-time  
 40 permanent employees shall receive a pro rata amount of the five days awarded by this section.

41 **SECTION 4.1.(c)** The additional leave awarded under this section has no cash value  
 42 and is not eligible for cash in. If not used prior to the time of separation or retirement, the bonus  
 43 leave cannot be paid out and is lost.

44 **SECTION 4.1.(d)** Notwithstanding any provision of G.S. 126-8 to the contrary, any  
 45 vacation leave remaining on December 31 of each year in excess of 30 days shall be reduced by  
 46 the number of days awarded in this section that were actually used by the employee during the  
 47 year, such that the calculation of vacation leave days that would convert to sick leave shall reflect  
 48 a deduction of those days of special annual leave awarded in this section that were used by the  
 49 employee during the year.

50 **SECTION 4.1.(e)** The number of days awarded by this section that carry forward to  
 51 each following year shall equal the number of days awarded in this section remaining on

1 December 31 of each year plus the number of days awarded in this section that were deducted  
2 from vacation leave in excess of 30 days for the calculation of sick leave.

3 **SECTION 4.1.(f)** No employee may be required to take the additional leave awarded  
4 by this section.

5  
6 **PART V. RETIREES' COST-OF-LIVING SUPPLEMENT**

7 **SECTION 5.1.(a)** If House Bill 966, 2019 Regular Session, becomes law, then  
8 Section 38.23 of that act is repealed.

9 **SECTION 5.1.(b)** G.S. 135-5 is amended by adding new subsections to read:

10 "(xxx) On or before December 31, 2019, a one-time cost-of-living supplement payment shall  
11 be made to or on account of beneficiaries who are living as of November 1, 2019, and whose  
12 retirement commenced on or before November 1, 2019. The payment shall be one-half of one  
13 percent (0.50%) of the beneficiary's annual retirement allowance payable as of November 1,  
14 2019, and shall not be prorated for date of retirement commencement. If the beneficiary dies  
15 before the payment is made, then the payment shall be payable to the member's legal  
16 representative. No beneficiary shall be deemed to have acquired a vested right to any future  
17 supplemental payments.

18 (yyy) After September 1, 2020, but on or before October 31, 2020, a one-time cost-of-living  
19 supplement payment shall be made to or on account of beneficiaries who are living as of  
20 September 1, 2020, and whose retirement commenced on or before September 1, 2020. The  
21 payment shall be one-half of one percent (0.50%) of the beneficiary's annual retirement  
22 allowance payable as of September 1, 2020, and shall not be prorated for date of retirement  
23 commencement. If the beneficiary dies before the payment is made, then the payment shall be  
24 payable to the member's legal representative. No beneficiary shall be deemed to have acquired a  
25 vested right to any future supplemental payments."

26 **SECTION 5.1.(c)** G.S. 135-65 is amended by adding new subsections to read:

27 "(ii) On or before December 31, 2019, a one-time cost-of-living supplement payment shall  
28 be made to or on account of beneficiaries who are living as of November 1, 2019, and whose  
29 retirement commenced on or before November 1, 2019. The payment shall be one-half of one  
30 percent (0.50%) of the beneficiary's annual retirement allowance payable as of November 1,  
31 2019, and shall not be prorated for date of retirement commencement. If the beneficiary dies  
32 before the payment is made, then the payment shall be payable to the member's legal  
33 representative. No beneficiary shall be deemed to have acquired a vested right to any future  
34 supplemental payments.

35 (jj) After September 1, 2020, but on or before October 31, 2020, a one-time cost-of-living  
36 supplement payment shall be made to or on account of beneficiaries who are living as of  
37 September 1, 2020, and whose retirement commenced on or before September 1, 2020. The  
38 payment shall be one-half of one percent (0.50%) of the beneficiary's annual retirement  
39 allowance payable as of September 1, 2020, and shall not be prorated for date of retirement  
40 commencement. If the beneficiary dies before the payment is made, then the payment shall be  
41 payable to the member's legal representative. No beneficiary shall be deemed to have acquired a  
42 vested right to any future supplemental payments."

43 **SECTION 5.1.(d)** G.S. 120-4.22A is amended by adding new subsections to read:

44 "(cc) In accordance with subsection (a) of this section, on or before December 31, 2019, a  
45 one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who  
46 are living as of November 1, 2019, and whose retirement commenced on or before November 1,  
47 2019. The payment shall be one-half of one percent (0.50%) of the beneficiary's annual  
48 retirement allowance payable as of November 1, 2019, and shall not be prorated for date of  
49 retirement commencement. If the beneficiary dies before the payment is made, then the payment  
50 shall be payable to the member's legal representative. No beneficiary shall be deemed to have  
51 acquired a vested right to any future supplemental payments.

(dd) In accordance with subsection (a) of this section, after September 1, 2020, but on or before October 31, 2020, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2020, and whose retirement commenced on or before September 1, 2020. The payment shall be one-half of one percent (0.50%) of the beneficiary's annual retirement allowance payable as of September 1, 2020, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments."

**SECTION 5.1.(e)** Notwithstanding any other provision of law to the contrary, in order to administer the one-time cost-of-living supplement for retirees provided for in this section, the Retirement Systems Division of the Department of State Treasurer may increase receipts from the retirement assets of the corresponding retirement system or pay costs associated with the administration of the payment directly from the retirement assets.

**APPROPRIATION FOR SUPPLEMENT**

**SECTION 5.2.** There is appropriated from the General Fund to the Office of State Budget and Management the sum of seventeen million three hundred sixty-three thousand three hundred six dollars (\$17,363,306) in nonrecurring funds for the 2019-2020 fiscal year and the sum of seventeen million three hundred sixty-three thousand three hundred six dollars (\$17,363,306) in nonrecurring funds for the 2020-2021 fiscal year to be held in reserve to implement the one-time cost-of-living supplements authorized by this section.

**SALARY-RELATED CONTRIBUTIONS**

**SECTION 5.3.(a)** Subsections (b) and (c) of Section 3.15 of S.L. 2019-209 are repealed.

**SECTION 5.3.(b)** If House Bill 966, 2019 Regular Session, becomes law, then Section 38.22 of that act is repealed.

**SECTION 5.3.(c)** Effective July 1, 2019, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2019-2020 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

|  | <b>Teachers<br/>and State<br/>Employees</b> | <b>State<br/>LEOs</b> | <b>ORPs</b>   | <b>CJRS</b>   | <b>LRS</b>    |
|--|---|-----------------------|---------------|---------------|---------------|
| Retirement                                       | 13.13%                                      | 13.13%                | 6.84%         | 33.91%        | 26.79%        |
| Disability                                       | 0.10%                                       | 0.10%                 | 0.10%         | 0.00%         | 0.00%         |
| Death  | 0.16%                                       | 0.16%                 | 0.00%         | 0.00%         | 0.00%         |
| Retiree Health                                   | 6.47%                                       | 6.47%                 | 6.47%         | 6.47%         | 6.47%         |
| NC 401(k)  | 0.00%                                       | 5.00%                 | 0.00%         | 0.00%         | 0.00%         |
| <b>Total Contribution<br/>Rate</b>               | <b>19.86%</b>                               | <b>24.86%</b>         | <b>13.41%</b> | <b>40.38%</b> | <b>33.26%</b> |
| <b>Portion of Rate That<br/>Is Non-Recurring</b> | <b>0.16%</b>                                | <b>0.16%</b>          | <b>0.00%</b>  | <b>0.31%</b>  | <b>0.33%</b>  |

The rate for teachers and State employees and State law enforcement officers includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

1           **SECTION 5.3.(d)** Effective July 1, 2020, the State's employer contribution rates  
 2 budgeted for retirement and related benefits as a percentage of covered salaries for the 2020-2021  
 3 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the  
 4 University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated  
 5 Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth  
 6 below:

|   | <b>Teachers<br/>and State<br/>Employees</b> | <b>State<br/>LEOs</b> | <b>ORPs</b> | <b>CJRS</b> | <b>LRS</b> |
|---|---|-----------------------|-------------|-------------|------------|
| 10 Retirement                                       | 14.52%                                      | 14.52%                | 6.84%       | 36.31%      | 29.33%     |
| 11 Disability                                       | 0.10%                                       | 0.10%                 | 0.10%       | 0.00%       | 0.00%      |
| 12 Death  | 0.16%                                       | 0.16%                 | 0.00%       | 0.00%       | 0.00%      |
| 13 Retiree Health                                   | 6.82%                                       | 6.82%                 | 6.82%       | 6.82%       | 6.82%      |
| 14 NC 401(k)  | 0.00%                                       | 5.00%                 | 0.00%       | 0.00%       | 0.00%      |
| 16 <b>Total Contribution<br/>Rate</b>               | 21.60%                                      | 26.60%                | 13.76%      | 43.13%      | 36.15%     |
| 19 <b>Portion of Rate That<br/>Is Non-Recurring</b> | 0.16%                                       | 0.16%                 | 0.00%       | 0.31%       | 0.33%      |

21           The rate for teachers and State employees and State law enforcement officers includes  
 22 one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

24 **PART VI. MISCELLANEOUS PROVISIONS**

25           **SECTION 6.1.** The legislative salary increases provided by this act in each year of  
 26 the 2019-2021 fiscal biennium do not apply to persons separated from service due to resignation,  
 27 dismissal, reduction in force, death, or retirement or whose last workday is prior to June 30, 2019,  
 28 for the 2019-2020 fiscal year or June 30, 2020, for the 2020-2021 fiscal year. For the 2019-2021  
 29 fiscal biennium, payroll checks issued to employees after July 1, 2019, and July 1, 2020,  
 30 respectively, that represent payment of services provided prior to July 1 of each year shall not be  
 31 eligible for salary increases provided for in this act.

32           **SECTION 6.2.** If any provision of this act and G.S. 143C-5-4 are in conflict, the  
 33 provisions of this act shall prevail. If House Bill 966, 2019 Regular Session, becomes law, then  
 34 Parts I, II, III, and IV and Sections 5.2 and 6.1 of this act are repealed.

35           **SECTION 6.3.** This act becomes effective July 1, 2019.