

1 the year following the year of determination by the same percentage of increase indicated by
2 the ratio (R) calculated to the nearest tenth of one per centum (1/10 of 1%), but not more than
3 four per centum (4%); provided that any such increase in allowances shall be contingent upon
4 the total fund providing sufficient investment gains to cover the additional actuarial liabilities
5 on account of such increase. The determination of whether there are sufficient investment gains
6 to cover the possible postretirement increase in allowance shall reside exclusively within the
7 discretion of the Board of Trustees and shall be informed by the findings within the annual
8 actuarial valuation reports.

9 The allowance of a surviving annuitant of a beneficiary whose allowance is increased under
10 this subsection shall, when and if payable, be increased by the same per centum.

11 Any increase in allowance granted hereunder shall be permanent, irrespective of any
12 subsequent decrease in the Consumer Price Index, and shall be included in determining any
13 subsequent increase.

14 Notwithstanding the foregoing linkage between increases in the Consumer Price Index and
15 correlative contingent increases in retirement benefits determined by the availability of
16 sufficient investment gains to cover the additional actuarial liabilities arising from those
17 increased benefits, the Board of Trustees, may in any year, regardless of any increase or
18 decrease in the Consumer Price Index, fund a cost-of-living increase in a percentage amount,
19 measured in tenths of one percent (1/10 of 1%), of up to four percent (4%), provided that the
20 Board may use only investment gains to fund such an increase.

21 For purposes of this subsection, Consumer Price Index shall mean the Consumer Price
22 Index (all items – United States city average), as published by the United States Department of
23 Labor, Bureau of Labor Statistics."

24 **SECTION 3.** G.S. 135-1(20) reads as rewritten:

25 "(20) "Retirement" means the termination of employment and the complete
26 separation from active service with no intent or agreement, express or
27 implied, to return to service. A retirement allowance under the provisions of
28 this Chapter may only be granted upon retirement of a member. In order for
29 a member's retirement to become effective in any month, the member must
30 render no service, including part-time, temporary, substitute, or contractor
31 service, at any time during the six months immediately following the
32 effective date of retirement. For purposes of this subdivision, service as a
33 member of a school board or as an unpaid bona fide volunteer in a local
34 school administrative unit or in a State-funded educational attraction shall
35 not be considered service. A member who is a full-time faculty member of
36 The University of North Carolina may effect a retirement allowance under
37 this Chapter, notwithstanding the six-month requirement above, provided the
38 member immediately enters the University's Phased Retirement Program for
39 Tenured Faculty as that program existed on May 25, 2011."

40 **SECTION 4.** G.S. 128-30(d) reads as rewritten:

41 "(d) Pension Accumulation Fund. – The pension accumulation fund shall be the fund in
42 which shall be accumulated all reserves for the payment of all pensions and other benefits
43 payable from contributions made by employers and from which shall be paid all pensions and
44 other benefits on account of members with prior service credit. Contributions to and payments
45 from the pension accumulation fund shall be made as follows:

46 ...
47 (3) The "accrued liability contribution" shall be set for each employer on the
48 basis of the prior service credits allowable to the employees thereof, who are
49 entitled to prior service certificates, and shall be paid for a period of
50 approximately 30 years, provided that the length of the period of payment
51 for each employer after contributions begin ~~shall be the same for all~~

1 employers and shall be determined by the Board of Trustees as the result of
2 actuarial valuations.

3"

4 **SECTION 5.(a)** G.S. 120-4.32 reads as rewritten:

5 **"§ 120-4.32. Deduction for payments to certain employees' or retirees' associations**
6 **allowed.**

7 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association
8 that has at least 2,000 members, the majority of whom are active or retired employees of the
9 State or public school employees, may authorize, in writing, the periodic deduction from the
10 beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees'
11 association. The authorization shall remain in effect until revoked by the beneficiary. A plan of
12 deductions pursuant to this section shall become void if the employees' or retirees' association
13 engages in collective bargaining with the State, any political subdivision of the State, or any
14 local school administrative unit.

15 (b) Any beneficiary eligible for coverage under the State Health Plan may also
16 authorize, in writing, the monthly deduction from the beneficiary's retirement benefits of a
17 designated lump sum to be paid to the State Health Plan for any dependent whom the
18 beneficiary wishes to cover under the State Health Plan. In the event that the beneficiary's own
19 State Health Plan coverage is contributory, in whole or in part, the beneficiary may also
20 authorize a designated lump sum to be paid to the State Health Plan on behalf of the
21 beneficiary. In addition, a beneficiary may similarly authorize the deduction for supplemental
22 voluntary insurance benefits, provided that the deduction is authorized by the Department of
23 State Treasurer and is payable to a company with which the Department of State Treasurer has
24 or had an exclusive contractual relationship. Any such authorization shall remain in effect until
25 revoked by the beneficiary."

26 **SECTION 5.(b)** G.S. 128-38.3 reads as rewritten:

27 **"§ 128-38.3. Deduction for ~~payment to certain employees' associations~~ payments allowed.**

28 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association
29 that has at least 2,000 members, the majority of whom are active or retired employees of
30 employers as defined in G.S. 128-21(11), may authorize, in writing, the periodic deduction
31 from the beneficiary's retirement benefits a designated lump sum to be paid to the employees'
32 or retirees' association. The authorization shall remain in effect until revoked by the
33 beneficiary. A plan of deductions pursuant to this section shall become void if the employees'
34 or retirees' association engages in collective bargaining with the State, any political subdivision
35 of the State, or any local school administrative unit.

36 (b) Any beneficiary eligible for coverage under the State Health Plan may also
37 authorize, in writing, the monthly deduction from the beneficiary's retirement benefits of a
38 designated lump sum to be paid to the State Health Plan for any dependent whom the
39 beneficiary wishes to cover under the State Health Plan. In the event that the beneficiary's own
40 State Health Plan coverage is contributory, in whole or in part, the beneficiary may also
41 authorize a designated lump sum to be paid to the State Health Plan on behalf of the
42 beneficiary. In addition, a beneficiary may similarly authorize the deduction for supplemental
43 voluntary insurance benefits, provided that the deduction is authorized by the Department of
44 State Treasurer and is payable to a company with which the Department of State Treasurer has
45 or had an exclusive contractual relationship. Any such authorization shall remain in effect until
46 revoked by the beneficiary."

47 **SECTION 5.(c)** G.S. 135-18.8 reads as rewritten:

48 **"§ 135-18.8. Deduction for payments to certain employees' or retirees' associations**
49 **allowed.**

50 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association
51 that has at least 2,000 members, the majority of whom are active or retired employees of the

1 State may authorize, in writing, the periodic deduction from the beneficiary's retirement
2 benefits a designated lump sum to be paid to the employees' or retirees' association. The
3 authorization shall remain in effect until revoked by the beneficiary. A plan of deductions
4 pursuant to this section shall become void if the employees' or retirees' association engages in
5 collective bargaining with the State, any political subdivision of the State, or any local school
6 administrative unit.

7 (b) Any beneficiary may also authorize, in writing, the monthly deduction from the
8 beneficiary's retirement benefits of a designated lump sum to be paid to the State Health Plan
9 for any dependent whom the beneficiary wishes to cover under the State Health Plan. In the
10 event that the beneficiary's own State Health Plan coverage is contributory, in whole or in part,
11 the beneficiary may also authorize a designated lump sum to be paid to the State Health Plan on
12 behalf of the beneficiary. In addition, a beneficiary may similarly authorize the deduction for
13 supplemental voluntary insurance benefits, provided that the deduction is authorized by the
14 Department of State Treasurer and is payable to a company with which the Department of State
15 Treasurer has or had an exclusive contractual relationship. Any such authorization shall remain
16 in effect until revoked by the beneficiary."

17 **SECTION 5.(d)** G.S. 135-75 reads as rewritten:

18 "**§ 135-75. Deduction for payments to certain employees' or retirees' associations allowed.**

19 (a) Any beneficiary who is a member of a domiciled employees' or retirees' association
20 that has at least 2,000 members, the majority of whom are active or retired employees of the
21 State or public school employees, may authorize, in writing, the periodic deduction from the
22 beneficiary's retirement benefits a designated lump sum to be paid to the employees' or retirees'
23 association. The authorization shall remain in effect until revoked by the beneficiary. A plan of
24 deductions pursuant to this section shall become void if the employees' or retirees' association
25 engages in collective bargaining with the State, any political subdivision of the State, or any
26 local school administrative unit.

27 (b) Any beneficiary eligible for coverage under the State Health Plan may also
28 authorize, in writing, the monthly deduction from the beneficiary's retirement benefits of a
29 designated lump sum to be paid to the State Health Plan for any dependent whom the
30 beneficiary wishes to cover under the State Health Plan. In the event that the beneficiary's own
31 State Health Plan coverage is contributory, in whole or in part, the beneficiary may also
32 authorize a designated lump sum to be paid to the State Health Plan on behalf of the
33 beneficiary. In addition, a beneficiary may similarly authorize the deduction for supplemental
34 voluntary insurance benefits, provided that the deduction is authorized by the Department of
35 State Treasurer and is payable to a company with which the Department of State Treasurer has
36 or had an exclusive contractual relationship. Any such authorization shall remain in effect until
37 revoked by the beneficiary."

38 **SECTION 6.** G.S. 135-106(b) reads as rewritten:

39 (b) After the commencement of benefits under this section, the benefits payable under
40 the terms of this section during the first 36 months of the long-term disability period shall be
41 equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable
42 to the participant or beneficiary prior to the beginning of the short-term disability period as may
43 be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent
44 (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would
45 be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced
46 by any primary Social Security disability benefits and by monthly payments for Workers'
47 Compensation to which the participant or beneficiary may be entitled. When primary Social
48 Security disability benefits are increased by cost-of-living adjustments, the increased reduction
49 shall be applied in the first month following the month in which the member becomes entitled
50 to the increased Social Security benefit. The monthly benefit shall be further reduced by the
51 amount of any monthly payments from the federal Department of Veterans Affairs, any other

1 federal agency or any payments made under the provisions of G.S. 127A-108, to which the
2 participant or beneficiary may be entitled on account of the same disability. Provided, in any
3 event, the benefit payable shall be no less than ten dollars (\$10.00) a month. However, a
4 disabled participant may elect to receive any salary continuation as provided in G.S. 135-104 in
5 lieu of long-term disability benefits; provided such election shall not extend the first 36
6 consecutive calendar months of the long-term disability period. An election to receive any
7 salary continuation for any part of any given day shall be in lieu of any long-term benefit
8 payable for that day, provided further, any lump-sum payout for vacation leave shall be treated
9 as if the beneficiary or participant had exhausted the leave and shall be in lieu of any long-term
10 benefit otherwise payable. Provided that, in any event, a beneficiary's benefit shall be reduced
11 during the first 36 months of the long-term disability period by an amount, as determined by
12 the Board of Trustees, equal to a primary Social Security retirement benefit to which the
13 beneficiary might be entitled.

14 After 36 months of long-term disability, no further benefits are payable under the terms of
15 this section unless the member has been approved and is in receipt of primary Social Security
16 disability benefits. In that case the benefits payable shall be equal to sixty-five percent (65%) of
17 1/12th of the annual base rate of compensation last payable to the participant or beneficiary
18 prior to the beginning of the short-term disability period as may be adjusted for percentage
19 increases as provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual
20 longevity payment to which the participant or beneficiary would be eligible, to a maximum of
21 three thousand nine hundred dollars (\$3,900) per month reduced by the primary Social Security
22 disability benefits and by monthly payments for Workers' Compensation to which the
23 participant or beneficiary may be entitled. When primary Social Security disability benefits are
24 increased by cost-of-living adjustments, the increased reduction shall be applied in the first
25 month following the month in which the member becomes entitled to the increased Social
26 Security benefit. The monthly benefit shall be further reduced by the amount of any monthly
27 payments from the federal Department of Veterans Affairs, for payments from any other
28 federal agency, or for any payments made under the provisions of G.S. 127A-108, to which the
29 participant or beneficiary may be entitled on account of the same disability. Provided, in any
30 event, the benefit payable shall be no less than ten dollars (\$10.00) a month.

31 ~~Notwithstanding the foregoing,~~ foregoing, but subject to an additional integration with the
32 five-year and 10-year retirement vesting provisions as set forth in this paragraph, the long-term
33 disability benefit is payable so long as the beneficiary is disabled and is in receipt of a primary
34 Social Security disability benefit until the earliest date at which the beneficiary who became a
35 member prior to August 1, 2011, is eligible for an unreduced service retirement allowance from
36 the Retirement System, at which time the beneficiary would receive a retirement allowance
37 calculated on the basis of the beneficiary's average final compensation at the time of disability
38 as adjusted to reflect compensation increases subsequent to the time of disability and the
39 creditable service accumulated by the beneficiary, including creditable service while in receipt
40 of benefits under the Plan. In the case of any long-term disability beneficiary who became a
41 member on and after August 1, 2011, and ordinarily would not be eligible for a retirement
42 benefit without 10 years of membership service, for purposes of this conversion from long-term
43 disability to service retirement, and for that purpose only, noncontributory creditable service
44 granted while in receipt of disability benefits under this Article shall be deemed to be
45 membership service, through the completion of 10 years of combined membership and
46 noncontributory service on short-term and long-term disability benefits in total. In the event the
47 beneficiary has not been approved and is not in receipt of a primary Social Security disability
48 benefit, the long-term disability benefit shall cease after the first 36 months of the long-term
49 disability period. When such a long-term disability recipient begins receiving this unreduced
50 service retirement allowance from the System, that recipient shall not be subject to the
51 six-month waiting period set forth in G.S. 135-1(20). However, a beneficiary shall be entitled

1 to a restoration of the long-term disability benefit in the event the Social Security
2 Administration grants a retroactive approval for primary Social Security disability benefits with
3 a benefit effective date within the first 36 months of the long-term disability period. In such
4 event, the long-term disability benefit shall be restored retroactively to the date of cessation."

5 **SECTION 7.** G.S. 147-69.2(b)(8) reads as rewritten:

6 "(8) With respect to assets of the Teachers' and State Employees' Retirement
7 System, the Consolidated Judicial Retirement System, the Firemen's and
8 Rescue Workers' Pension Fund, the Local Governmental Employees'
9 Retirement System, the Legislative Retirement System, the North Carolina
10 National Guard Pension ~~Fund~~ Fund, and the Retiree Health Benefit Fund
11 (hereinafter referred to collectively as the Retirement Systems), and assets
12 invested pursuant to subdivision (b2) of this section, they may be invested in
13 equity securities traded on a public securities exchange or market organized
14 and regulated pursuant to the laws of the jurisdiction of such exchange or
15 market and issued by any company incorporated or otherwise created or
16 located within or outside the United States; provided the investments meet
17 the conditions of this subdivision. The investments authorized for the
18 Retirement Systems under this subdivision cannot exceed sixty-five percent
19 (65%) of the market value of all invested assets of the Retirement Systems.

20 The assets authorized under this subdivision may be invested directly by
21 the State Treasurer in any equity securities authorized by this subdivision for
22 the primary purpose of approximating the movements of a nationally
23 recognized and published market benchmark index. No more than one and
24 one-half percent (1.5%) of the market value of the Retirement Systems'
25 assets that may be invested directly under this subdivision can be invested in
26 the stock of a single corporation, and the total number of shares in that single
27 corporation cannot exceed eight percent (8%) of the issued and outstanding
28 stock of that corporation.

29 So long as each investment manager has assets under management of at
30 least one hundred million dollars (\$100,000,000), the assets authorized under
31 this subdivision may also be invested through any of the following:

- 32 a. Investment companies registered under the Investment Company Act
33 of 1940; individual, common, or collective trust funds of banks and
34 trust companies; and group trusts that invest primarily in investments
35 authorized by this subdivision.
- 36 b. Limited partnerships, limited liability companies, or other limited
37 liability investment vehicles that are not publicly traded and invest
38 primarily in investments authorized by this subdivision. Investments
39 under this sub-subdivision shall not exceed six and one-half percent
40 (6.5%) of the market value of all invested assets of the Retirement
41 Systems.
- 42 c. Contractual arrangements in which investment managers have full
43 and complete discretion and authority to invest assets specified in
44 such contractual arrangements in investments authorized by this
45 subdivision."

46 **SECTION 8.** This act becomes effective July 1, 2012.