

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2013

H.B. 1193  
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HOUSE PRINCIPAL CLERK

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HOUSE DRH30737-LL-192 (03/27)

Short Title: Retirement Technical Corrections Act of 2014. (Public)

Sponsors: Representatives Collins and S. Ross (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO MAKE TECHNICAL CHANGES TO THE STATUTES AFFECTING THE  
3 STATE RETIREMENT SYSTEMS.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. G.S. 58-86-2(9) reads as rewritten:

6 "(9) "Inactive member" means a member of the fund who is not on a leave of  
7 absence under G.S. 58-86-95 and who ~~is not making~~ has not made timely  
8 ~~monthly~~ payments under G.S. 58-86-35 or ~~G.S. 58-86-40~~ G.S. 58-86-40 for  
9 two consecutive years."

10 SECTION 2. G.S. 135-5(r) reads as rewritten:

11 "(r) Notwithstanding anything herein to the contrary, for persons who commenced  
12 receiving benefits from the System prior to January 1, 1970, effective July 1, 1973, any  
13 member who retired after attaining the age of 60 with 15 or more years of creditable service  
14 shall receive a monthly benefit of no less than seventy-five dollars (\$75.00) prior to the  
15 application of any optional benefit."

16 SECTION 3.(a) G.S. 135-5(m2) reads as rewritten:

17 "(m2) Special Retirement Allowance. – At any time coincident with or following  
18 retirement, a member may make a one-time election to transfer any portion of the member's  
19 eligible accumulated contributions, not including any Roth after-tax contributions and the  
20 earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the  
21 North Carolina Public Employee Deferred Compensation Plan to this Retirement System and  
22 receive, in addition to the member's basic service, early or disability retirement allowance, a  
23 special retirement allowance which shall be based upon the member's transferred balance.

24 A member who became a member of the Supplemental Retirement Income Plan prior to  
25 retirement and who remains a member of the Supplemental Retirement Income Plan may make  
26 a one-time election to transfer eligible balances, not including any Roth after-tax contributions  
27 and the earnings thereon, from any of the following plans to the Supplemental Retirement  
28 Income Plan, subject to the applicable requirements of the Supplemental Retirement Income  
29 Plan, and then through the Supplemental Retirement Income Plan to this Retirement System:

- 30 (1) ~~A plan participating in the North Carolina Public School Teachers' and~~  
31 ~~Professional Educators' Investment Plan.~~  
32 (2) ~~A plan described in section 403(b) of the Internal Revenue Code.~~  
33 (3) ~~A plan described in section 457(b) of the Internal Revenue Code that is~~  
34 ~~maintained by a state, political subdivision of a state, or any agency or~~  
35 ~~instrumentality of a state or political subdivision of a state.~~



1           (4) ~~An individual retirement account or annuity described in Section 408(a) or~~  
2           ~~408(b) of the Internal Revenue Code that is eligible to be rolled over and~~  
3           ~~would otherwise be includible in gross income.~~

4           (5) ~~A tax-qualified plan described in section 401(a) or 403(a) of the Internal~~  
5           ~~Revenue Code.~~

6           (i) a plan participating in the North Carolina Public School Teachers' and Professional  
7           Educators' Investment Plan; (ii) a plan described in section 403(b) of the Internal Revenue  
8           Code; (iii) a plan described in section 457(b) of the Internal Revenue Code that is maintained  
9           by a state, political subdivision of a state, or any agency or instrumentality of a state or political  
10           subdivision of a state; (iv) an individual retirement account or annuity described in section  
11           408(a) or 408(b) of the Internal Revenue Code that is eligible to be rolled over and would  
12           otherwise be includible in gross income; or (v) a tax-qualified plan described in section 401(a)  
13           or 403(a) of the Internal Revenue Code.

14           Notwithstanding anything to the contrary, a member may not transfer such amounts as will  
15           cause the member's retirement allowance under the System to exceed the amount allowable  
16           under G.S. 135-18.7(b). The Board of Trustees may establish a minimum amount that must be  
17           transferred if a transfer is elected. The member may elect a special retirement allowance with  
18           no postretirement increases or a special retirement allowance with annual postretirement  
19           increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement  
20           increases on any other allowance will not apply to the special retirement allowance. The Board  
21           of Trustees shall provide educational materials to the members who apply for the transfer  
22           authorized by this section. Those materials shall describe the special retirement allowance and  
23           shall explain ~~(i)~~the relationship between the transferred balance and the monthly ~~benefit;~~  
24           benefit and (ii)how the member's heirs may be impacted by the election to make this transfer  
25           and any costs and fees involved.

26           For the purpose of determining the special retirement allowance, the Board of Trustees shall  
27           adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality  
28           and such other tables as may be necessary based upon actual experience. A single set of  
29           mortality and such other tables will be used for all members, with factors differing only based  
30           on the age of the member and the election of postretirement increases. The Board of Trustees  
31           shall modify the mortality and such other tables every five years, as shall be deemed necessary,  
32           based upon the five-year experience study as required by G.S. 135-6(n). Provided, however,  
33           a member who transfers the member's eligible accumulated contributions from an eligible  
34           retirement plan pursuant to this subsection to this Retirement System shall be taxed for North  
35           Carolina State Income Tax purposes on the special retirement allowance the same as if that  
36           special retirement allowance had been paid directly by the eligible plan or the plan through  
37           which the transfer was made, whichever is most favorable to the member. The Teachers' and  
38           State Employees' Retirement System shall be responsible to determine the taxable amount, if  
39           any, and report accordingly.

40           The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess  
41           a one-time flat administrative fee not to exceed the actual cost of the administrative expenses  
42           relating to these transfers. An eligible plan shall not assess a fee specifically relating to a  
43           transfer of accumulated contributions authorized under this subsection. This provision shall not  
44           prohibit other fees that may be assessable under the plan. Each plan, contract, account, or  
45           annuity shall fully disclose to any member participating in a transfer under this subsection any  
46           surrender charges or other fees, and such disclosure shall be made contemporaneous with the  
47           initiation of the transfer by the member.

48           The special retirement allowance shall continue for the life of the member and the  
49           beneficiary designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as  
50           provided in G.S. 135-5(g), if any. The Board of Trustees, however, shall establish two payment  
51           options that guarantee payments as follows:

- 1 (1) A member may elect to receive the special retirement allowance for life but  
2 with payments guaranteed for a number of months to be specified by the  
3 Board of Trustees. Under this plan, if the member dies before the expiration  
4 of the specified number of months, the special retirement allowance will  
5 continue to be paid to the member's designated beneficiary for the life of the  
6 beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected,  
7 the member's designated beneficiary will receive the benefit only for the  
8 remainder of the specified number of months. If the member's designated  
9 beneficiary dies before receiving payments for the specified number of  
10 months, any remaining payments will be paid to the member's estate.
- 11 (2) A member may elect to receive the special retirement allowance for life but  
12 is guaranteed that the sum of the special allowance payments will equal the  
13 total of the transferred amount. Under this payment option, if the member  
14 dies before receiving the total transferred amount, the special retirement  
15 allowance will continue to be paid to the member's designated beneficiary  
16 for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or  
17 6 is not selected, the member's designated beneficiary or the member's estate  
18 shall be paid any remaining balance of the transferred amount.

19 The Board of Trustees shall report annually to the Joint Legislative Commission on  
20 Governmental Operations on the number of persons who made an election in the previous  
21 calendar year, with any recommendations it might make on amendment or repeal based on any  
22 identified problems.

23 The General Assembly reserves the right to repeal or amend this subsection, but such repeal  
24 or amendment shall not affect any person who has already made the one-time election provided  
25 in this subsection."

26 **SECTION 3.(b)** G.S. 128-27(m2) reads as rewritten:

27 "(m2) Special Retirement Allowance. – At any time coincident with or following  
28 retirement, a member may make a one-time election to transfer any portion of the member's  
29 eligible accumulated contributions, not including any Roth after-tax contributions and the  
30 earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the  
31 North Carolina Public Employee Deferred Compensation Plan to this Retirement System and  
32 receive, in addition to the member's basic service, early or disability retirement allowance, a  
33 special retirement allowance which shall be based upon the member's transferred balance.

34 A member who became a member of the Supplemental Retirement Income Plan prior to  
35 retirement and who remains a member of the Supplemental Retirement Income Plan may make  
36 a one-time election to transfer eligible balances, not including any Roth after-tax contributions  
37 and the earnings thereon, from any of the following plans to the Supplemental Retirement  
38 Income Plan, subject to the applicable requirements of the Supplemental Retirement Income  
39 Plan, and then through the Supplemental Retirement Income Plan to this Retirement System: (i)  
40 a plan participating in the North Carolina Public School Teachers' and Professional Educators'  
41 Investment Plan; (ii) a plan described in section 403(b) of the Internal Revenue Code; (iii) a  
42 plan described in section 457(b) of the Internal Revenue Code that is maintained by a state,  
43 political subdivision of a state, or any agency or instrumentality of a state or political  
44 subdivision of a state; (iv) an individual retirement account or annuity described in section  
45 408(a) or 408(b) of the Internal Revenue Code that is eligible to be rolled over and would  
46 otherwise be includible in gross income; or (v) a tax-qualified plan described in section 401(a)  
47 or 403(a) of the Internal Revenue Code.

48 Notwithstanding anything to the contrary, a member may not transfer such amounts as will  
49 cause the member's retirement allowance under the System to exceed the amount allowable  
50 under G.S. 128-38.2(b). The Board of Trustees may establish a minimum amount that must be  
51 transferred if a transfer is elected. The member may elect a special retirement allowance with

1 no postretirement increases or a special retirement allowance with annual postretirement  
2 increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement  
3 increases on any other allowance will not apply to the special retirement allowance. The Board  
4 of Trustees shall provide educational materials to the members who apply for the transfer  
5 authorized by this section. Those materials shall describe the special retirement allowance and  
6 shall explain ~~(i)~~ the relationship between the transferred balance and the monthly ~~benefit;~~  
7 benefit and ~~(ii)~~ how the member's heirs may be impacted by the election to make this transfer  
8 and any costs and fees involved.

9 For the purpose of determining the special retirement allowance, the Board of Trustees shall  
10 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality  
11 and such other tables as may be necessary based upon actual experience. A single set of  
12 mortality and such other tables will be used for all members, with factors differing only based  
13 on the age of the member and the election of postretirement increases. The Board of Trustees  
14 shall modify the mortality and such other tables every five years, as shall be deemed necessary,  
15 based upon the five-year experience study as required by G.S. 128-28(o). Provided, however, a  
16 member who transfers the member's eligible accumulated contributions from ~~the Supplemental~~  
17 ~~Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred~~  
18 ~~Compensation Plan~~ an eligible retirement plan pursuant to this subsection to this Retirement  
19 System shall be taxed for North Carolina State Income Tax purposes on the special retirement  
20 allowance the same as if that special retirement allowance had been paid directly by the  
21 ~~Supplemental Retirement Income Plan of North Carolina~~ eligible plan or the plan through  
22 which the transfer was made, whichever is most favorable to the member. The Local  
23 Governmental Employees' Retirement System shall be responsible to determine the taxable  
24 amount, if any, and report accordingly.

25 The special retirement allowance shall continue for the life of the member and the  
26 beneficiary designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as  
27 provided in G.S. 128-27(g), if any. The Board of Trustees, however, shall establish two  
28 payment options that guarantee payments as follows:

- 29 (1) A member may elect to receive the special retirement allowance for life but  
30 with payments guaranteed for a number of months to be specified by the  
31 Board of Trustees. Under this plan, if the member dies before the expiration  
32 of the specified number of months, the special retirement allowance will  
33 continue to be paid to the member's designated beneficiary for the life of the  
34 beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected,  
35 the member's designated beneficiary will receive the benefit only for the  
36 remainder of the specified number of months. If the member's designated  
37 beneficiary dies before receiving payments for the specified number of  
38 months, any remaining payments will be paid to the member's estate.
- 39 (2) A member may elect to receive the special retirement allowance for life but  
40 is guaranteed that the sum of the special allowance payments will equal the  
41 total of the transferred amount. Under this payment option, if the member  
42 dies before receiving the total transferred amount, the special retirement  
43 allowance will continue to be paid to the member's designated beneficiary  
44 for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or  
45 6 is not selected, the member's designated beneficiary or the member's estate  
46 shall be paid any remaining balance of the transferred amount.

47 The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess  
48 a one-time flat administrative fee not to exceed the actual cost of the administrative expenses  
49 relating to these transfers. An eligible plan shall not assess a fee specifically relating to a  
50 transfer of accumulated contributions authorized under this subsection. This provision shall not  
51 prohibit other fees that may be assessable under the plan. Each plan, contract, account, or

1 annuity shall fully disclose to any member participating in a transfer under this subsection any  
2 surrender charges or other fees, and that disclosure shall be made contemporaneous with the  
3 initiation of the transfer by the member.

4 The Board of Trustees shall report annually to the Joint Legislative Commission on  
5 Governmental Operations on the number of persons who made an election in the previous  
6 calendar year, with any recommendations it might make on amendment or repeal based on any  
7 identified problems.

8 The General Assembly reserves the right to repeal or amend this subsection, but such repeal  
9 or amendment shall not affect any person who has already made the one-time election provided  
10 in this subsection."

11 **SECTION 4.(a)** G.S. 135-1 is amended by adding a new subdivision to read:

12 "(8a) "Consumer Price Index" shall mean the Consumer Price Index for All Urban  
13 Consumers (CPI-U), U.S. City Average, All items, not seasonally adjusted,  
14 standard reference base, as published by the Bureau of Labor Statistics of the  
15 U.S. Department of Labor."

16 **SECTION 4.(b)** G.S. 128-21 is amended by adding a new subdivision to read:

17 "(8a) "Consumer Price Index" shall mean the Consumer Price Index for All Urban  
18 Consumers (CPI-U), U.S. City Average, All items, not seasonally adjusted,  
19 standard reference base, as published by the Bureau of Labor Statistics of the  
20 U.S. Department of Labor."

21 **SECTION 4.(c)** G.S. 135-3(8)c. reads as rewritten:

22 "c. Should a beneficiary who retired on an early or service retirement  
23 allowance under this Chapter be reemployed by, or otherwise  
24 engaged to perform services for, an employer participating in the  
25 Retirement System on a part time, temporary, interim, or on a fee for  
26 service basis, whether contractual or otherwise, and if such  
27 beneficiary earns an amount during the 12 month period immediately  
28 following the effective date of retirement or in any calendar year  
29 which exceeds fifty percent (50%) of the reported compensation,  
30 excluding terminal payments, during the 12 months of service  
31 preceding the effective date of retirement, or twenty thousand dollars  
32 (\$20,000), whichever is greater, as hereinafter indexed, then the  
33 retirement allowance shall be suspended as of the first day of the  
34 month following the month in which the reemployment earnings  
35 exceed the amount above, for the balance of the calendar year, except  
36 when the reemployment earnings exceed the amount above in the  
37 month of December, in which case the retirement allowance shall not  
38 be suspended. The retirement allowance of the beneficiary shall be  
39 reinstated as of January 1 of each year following suspension. The  
40 amount that may be earned before suspension shall be increased on  
41 January 1 of each year by the ~~ratio of the Consumer Price Index to~~  
42 ~~the Index one year earlier, percentage change between the December~~  
43 ~~Consumer Price Index in the year prior to retirement and the~~  
44 ~~December Consumer Price Index in the year most recently ended,~~  
45 calculated to the nearest tenth of a percent (1/10 of 1%), (1/10 of 1%),  
46 provided that this percentage change is positive."

47 **SECTION 4.(d)** G.S. 128-24(5)c. reads as rewritten:

48 "c. Should a beneficiary who retired on an early or service retirement  
49 allowance be reemployed by, or otherwise engaged to perform  
50 services for, an employer participating in the Retirement System on a  
51 part-time, temporary, interim, or on fee-for-service basis, whether

1 contractual or otherwise, and if such beneficiary earns an amount  
2 during the 12-month period immediately following the effective date  
3 of retirement or in any calendar year which exceeds fifty percent  
4 (50%) of the reported compensation, excluding terminal payments,  
5 during the 12 months of service preceding the effective date of  
6 retirement, or twenty thousand dollars (\$20,000), whichever is  
7 greater, as hereinafter indexed, then the retirement allowance shall be  
8 suspended as of the first day of the month following the month in  
9 which the reemployment earnings exceed the amount above, for the  
10 balance of the calendar year, except when the reemployment earnings  
11 exceed the amount above in the month of December, in which case  
12 the retirement allowance shall not be suspended. The retirement  
13 allowance of the beneficiary shall be reinstated as of January 1 of  
14 each year following suspension. The amount that may be earned  
15 before suspension shall be increased on January 1 of each year by the  
16 ~~ratio of the Consumer Price Index to the Index one year earlier,~~  
17 percentage change between the December Consumer Price Index in  
18 the year prior to retirement and the December Consumer Price Index  
19 in the year most recently ended, calculated to the nearest tenth of a  
20 percent (1/10 of 1%).(1/10 of 1%), provided that this percentage  
21 change is positive."

22 **SECTION 4.(e)** G.S. 135-5(e)(1) reads as rewritten:

23 "(1) The Board of Trustees shall determine whether a disability beneficiary is  
24 engaged in or is able to engage in a gainful occupation paying more than the  
25 difference, as hereinafter indexed, between his disability retirement  
26 allowance and the gross compensation earned as an employee during the 12  
27 consecutive months of service in the final 48 months prior to retirement  
28 producing the highest gross compensation excluding any compensation  
29 received on account of termination. If the disability beneficiary is earning or  
30 is able to earn more than the difference, the portion of his disability  
31 retirement allowance not provided by his contributions shall be reduced to  
32 an amount which, together with the portion of the disability retirement  
33 allowance provided by his contributions and the amount earnable by him  
34 shall equal the amount of his gross compensation prior to retirement. This  
35 difference shall be increased on January 1 each year by the ~~ratio of the~~  
36 ~~Consumer Price Index to the Index one year earlier,~~percentage change  
37 between the December Consumer Price Index in the year prior to retirement  
38 and the December Consumer Price Index in the year most recently ended,  
39 calculated to the nearest tenth of one percent (1/10th of 1%).(1/10 of 1%),  
40 provided that this percentage change is positive. Should the earning capacity  
41 of the disability beneficiary later change, the portion of his disability  
42 retirement allowance not provided by his contributions may be further  
43 modified. In lieu of the reductions on account of a disability beneficiary  
44 earning more than the aforesaid difference, he may elect to convert his  
45 disability retirement allowance to a service retirement allowance calculated  
46 on the basis of his average final compensation and creditable service at the  
47 time of disability and his age at the time of conversion to service retirement.  
48 This election is irrevocable. Provided, the provisions of this subdivision shall  
49 not apply to beneficiaries of the Law-Enforcement Officers' Retirement  
50 System transferred to this Retirement System who commenced retirement on  
51 and before July 1, 1981."

1           **SECTION 4.(f)** G.S. 128-27(e)(1) reads as rewritten:

2           "(1) The Board of Trustees shall determine whether a disability beneficiary is  
3 engaged in or is able to engage in a gainful occupation paying more than the  
4 difference, as hereinafter indexed, between his disability retirement  
5 allowance and the gross compensation earned as an employee during the 12  
6 consecutive months in the final 48 months of service prior to retirement  
7 producing the highest gross compensation excluding any compensation  
8 received on account of termination. If the disability beneficiary is earning or  
9 is able to earn more than the difference, the portion of his disability  
10 retirement allowance not provided by his contributions shall be reduced to  
11 an amount which, together with the portion of the disability retirement  
12 allowance provided by his contributions and the amount earnable by him  
13 shall equal the amount of his gross compensation prior to retirement. This  
14 difference shall be increased on January 1 each year by the ~~ratio of the~~  
15 ~~Consumer Price Index to the Index one year earlier,~~percentage change  
16 between the December Consumer Price Index in the year prior to retirement  
17 and the December Consumer Price Index in the year most recently ended,  
18 calculated to the nearest tenth of a percent (1/10 of 1%).(1/10 of 1%),  
19 provided that this percentage change is positive. Should the earning capacity  
20 of the disability beneficiary later change, the portion of his disability  
21 retirement allowance not provided by his contributions may be further  
22 modified. In lieu of the reductions on account of a disability beneficiary  
23 earning more than the aforesaid difference, he may elect to convert his  
24 disability retirement allowance to a service retirement allowance calculated  
25 on the basis of his average final compensation and creditable service at the  
26 time of disability retirement and his age at the time of conversion to service  
27 retirement. This election is irrevocable.

28           The provisions of this subdivision shall not apply to beneficiaries of the  
29 Law Enforcement Officers' Retirement System transferred to this Retirement  
30 System who commenced retirement on and before July 1, 1981."

31           **SECTION 4.(g)** G.S. 135-60(d) reads as rewritten:

32           "(d) The Board of Trustees shall determine whether a disability beneficiary is engaged in  
33 or is able to engage in a gainful occupation paying more than the difference, as hereinafter  
34 indexed, between his disability retirement allowance and the gross compensation earned as an  
35 employee during the 12 consecutive months in the final 48 months of service prior to  
36 retirement producing the highest gross compensation excluding any compensation received on  
37 account of termination. If the disability beneficiary is earning or is able to earn more than the  
38 difference, the portion of his disability retirement allowance not provided by his contributions  
39 shall be reduced to an amount which, together with the portion of the disability retirement  
40 allowance provided by his contributions and the amount earnable by him shall equal the  
41 amount of his gross compensation prior to retirement. This difference shall be increased on  
42 January 1 of each year by the ~~ratio of the Consumer Price Index to the Index one year earlier,~~  
43 ~~percentage change between the December Consumer Price Index in the year prior to retirement~~  
44 ~~and the December Consumer Price Index in the year most recently ended,~~ calculated to the  
45 nearest tenth of one percent (1/10th of 1%).(1/10 of 1%), provided that this percentage change  
46 is positive. Should the earning capacity of the disability beneficiary later change, the portion of  
47 his disability retirement allowance not provided by his contributions may be further modified.  
48 In lieu of the reductions on account of a disability beneficiary earning more than the aforesaid  
49 difference, he may elect to convert his disability retirement allowance to a service retirement  
50 allowance calculated on the basis of his final compensation and creditable service at the time of

1 disability retirement and his age at the time of conversion to service retirement. This election is  
2 irrevocable."

3 **SECTION 5.(a)** G.S. 135-48.1(12) reads as rewritten:

4 "(12) Firefighter. – A member of the group "~~eligible firemen~~" as defined in  
5 ~~G.S. 58-86-25.~~"eligible firefighter" as defined in G.S. 58-86-2."

6 **SECTION 5.(b)** G.S. 128-27(c) reads as rewritten:

7 "(c) Disability Retirement Benefits. – Upon the application of a member or of his  
8 employer, any member who has had five or more years of creditable service may be retired by  
9 the Board of Trustees, on the first day of any calendar month, not less than one day nor more  
10 than 120 days next following the date of filing such application, on a disability retirement  
11 allowance: Provided, that the medical board, after a medical examination of such member, shall  
12 certify that such member is mentally or physically incapacitated for the further performance of  
13 duty, that such incapacity was incurred at the time of active employment and has been  
14 continuous thereafter, that such incapacity is likely to be permanent, and that such member  
15 should be retired; Provided further the medical board shall determine if the member is able to  
16 engage in gainful employment and, if so, the member may still be retired and the disability  
17 retirement allowance as a result thereof shall be reduced as in subsection (e) below. Provided  
18 further, that the Medical Board shall not certify any member as disabled who:

- 19 (1) Applies for disability retirement based upon a mental or physical incapacity  
20 which existed when the member first established membership in the system;  
21 or  
22 (2) Is in receipt of any payments on account of the same disability which existed  
23 when the member first established membership in the system.

24 The Board of Trustees shall require each employee upon enrolling in the retirement system  
25 to provide information on the membership application concerning any mental or physical  
26 incapacities existing at the time the member enrolls.

27 Notwithstanding the requirement of five or more years of creditable service to the contrary,  
28 a member who is a law enforcement officer, an eligible ~~fireman~~firefighter as defined in  
29 ~~G.S. 58-86-25,~~G.S. 58-86-2, or an eligible rescue squad worker as defined in  
30 ~~G.S. 58-86-30~~G.S. 58-86-2, and becomes incapacitated for duty as the natural and proximate  
31 result of injuries incurred while in the actual performance of his or her duties, and meets all  
32 other requirements for disability retirement benefits, may be retired by the Board of Trustees on  
33 a disability retirement allowance.

34 Notwithstanding the foregoing to the contrary, any beneficiary who commenced retirement  
35 with an early or service retirement benefit has the right, within three years of his retirement, to  
36 convert to an allowance with disability retirement benefits without modification of any election  
37 of optional allowance previously made; provided, the beneficiary would have met all applicable  
38 requirements for disability retirement benefits while still in service as a member. The allowance  
39 on account of disability retirement benefits to the beneficiary shall be retroactive to the  
40 effective date of early or service retirement.

41 Notwithstanding the foregoing, effective April 1, 1991, the surviving designated  
42 beneficiary of a deceased member who met all other requirements for disability retirement  
43 benefits, except whose death occurred before the first day of the calendar month in which the  
44 member's disability retirement allowance was to be due and payable, may elect to receive the  
45 reduced retirement allowance provided by a one hundred percent (100%) joint and survivor  
46 payment option in lieu of a return of accumulated contributions, provided the following  
47 conditions apply:

- 48 (1) At the time of the member's death, one and only one beneficiary is eligible to  
49 receive a return of accumulated contributions, and  
50 (2) The member had not instructed the Board of Trustees in writing that he did  
51 not wish the provision of this subsection to apply."



1           **SECTION 6.** G.S. 135-53(16) reads as rewritten:

2           "(16) "Retirement" under this Chapter shall mean the commencement of monthly  
3           retirement benefits, along with the termination of employment and the  
4           complete separation from active service with no intent or agreement,  
5           expressed or implied, to return to service. A retirement allowance under the  
6           provisions of this Chapter may only be granted upon retirement of a  
7           member. In order for a member's retirement to become effective in any  
8           month, the member must perform no ~~work, including part-time, temporary,~~  
9           ~~substitute, or contractor work,~~work in a position covered by this Article at  
10          any time during the same month immediately following the effective first  
11          day of retirement."

12          **SECTION 7.** G.S. 120-4.2(c) reads as rewritten:

13          "(c) Solely for purposes of administering the benefits authorized by G.S. 120-3 to  
14          120-4.2, the authority and duties created by G.S. 120-4.1 as it existed prior to this repealing act  
15          shall continue in ~~effect~~effect, except that the General Assembly may opt to make annual  
16          transfers instead of quarterly transfers of funds to the Department of State Treasurer."

17          **SECTION 8.** 135-103(b)(2) reads as rewritten:

18          "(b) The participation of any person in the Disability Income Plan shall cease upon:

19           ...

20          (2) The participant's retirement under the provisions of the Teachers' and State  
21          Employees' Retirement System or the Optional Retirement Program, or

22           ....."

23          **SECTION 9.** G.S. 143-166.60(e) reads as rewritten:

24          "(e) The insurance benefit of the Plan on account of the death of a participant shall be  
25          payable to the surviving spouse of the participant or otherwise to the participant's estate;  
26          provided, should a participant instruct the Board of Trustees in writing that ~~he~~the participant  
27          does not wish these benefits to be paid to his or her spouse or estate, then the benefits shall be  
28          paid to the person or persons as the participant may name for this purpose. The life insurance  
29          benefits shall be payable only on account of participants in the Plan for six or more months or,  
30          if an actively employed officer, at any time after employment if death results from an accident.  
31          The accident and sickness disability insurance benefits shall be payable to a participant at any  
32          time after becoming a participant in the Plan."

33          **SECTION 10.** Section 4 of this act becomes effective January 1, 2015. The  
34          remainder of this act becomes effective July 1, 2014.