

**2009-2010**

**HOUSE  
PENSIONS &  
RETIREMENT**

**MINUTES**

**NORTH CAROLINA GENERAL ASSEMBLY**

**PENSIONS AND RETIREMENT  
2009-2010 SESSION**



**Representative Tucker**  
**Chair**



**Representative Bell**  
**Vice Chair**



**Representative Folwell**  
**Vice Chair**



**Representative Holloway**  
**Vice Chair**



**Representative Hurley**  
**Vice Chair**



**Representative McGee**  
**Vice Chair**



**Representative**  
**Farmer-Butterfield**



**Representative McLawhorn**



**Representative Ross**



**Representative Tolson**

## **HOUSE PENSIONS AND RETIREMENT COMMITTEE**

<b><u>MEMBER</u></b>	<b><u>ASSISTANT</u></b>	<b><u>PHONE</u></b>	<b><u>OFFICE</u></b>	<b><u>SEAT</u></b>
TUCKER, Russell, Chair	Sally Gillis Committee Assistant	715-3021	416B	48
BELL, Larry, Vice Chair	Carolyn Edwards	733-5863	538	12
FOLWELL, Dale, Vice Chair	Renee Wimbish	733-5787	306A1	75
HOLLOWAY, Bryan, Vice Chair	Lindsay McCargo	733-5609	502	98
HURLEY, Pat, Vice Chair	Marilyn Holder	733-5865	607	87
McGEE, William, Vice Chair	Jayne Nelson	733-5747	531	26
FARMER-BUTTERFIELD, Jean	Ruth Merkle	733-5898	528	53
McLAWHORN, Marian	Susan Burleson	733-5757	1217	34
ROSS, Deborah	Margie Penven	733-5773	2223	65
TOLSON, Joe	Shirley Phillips	715-3024	307B2	59

### **STAFF**

Stanley Moore, Fiscal Research

Karen Cochrane-Brown, Research

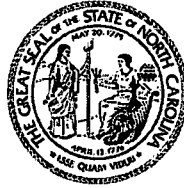
Theresa Matula, Research

## ATTENDANCE

## PENSIONS AND RETIREMENT

[illegible]





North Carolina General Assembly  
**House Committee on Pensions & Retirement**

**MINUTES**

~

Wednesday, March 4, 2009

The House Committee on Pensions and Retirement met Wednesday, March 4, 2009 at 10:00 a.m. in Room 415 of the Legislative Office Building. Members present were: Representative Tucker, Chair, Representatives Bell, Folwell, Hurley, and McGee, Vice Chairs, Representatives Farmer-Butterfield, McLawhorn, Ross and Tolson. Twenty visitors attended and a visitor's registration sheet is attached and made part of these minutes.

Chairman Tucker called the meeting to order and welcomed everyone. He then recognized the Pages and asked them to introduce themselves. They were: Melissa Young, Caswell County, sponsored by Representative Faison and Van Johnson, Chowan County, sponsored by Representative Spears. Sergeant-at-Arms assisting with the meeting were Reggie Sills, Michael Martin and Dusty Rhodes. He also recognized Staff, Karen Cochrane-Brown, Theresa Matula and Stanly Moore.

The Chair introduced State Treasurer, Janet Cowell to make a few remarks on the North Carolina Retirement System. She introduced Michael Williamson, Director of the North Carolina Retirement Systems Division to give a PowerPoint presentation. (*Attachment #1*). He also passed out a worksheet that lists the total number of active and retired members within the Chair's respective district that have accounts with the retirement system. (*Attachment #2*). Mr. Williamson introduced Tony Solari, Legislative Director, David Starling, Director of External Relations and David Vanderweide, Policy Director and stated they would be available to answer any constituent issues. Questions and discussion followed. Chairman Tucker thanked the presenters.

The Chair recognized Representative Howard to present **HB 5 - AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND**. (*Attachment #3*). A PCS was presented and Representative McLawhorn moved to approve the PCS for

consideration. Motion passed. Representative Howard explained the bill. Representative Farmer-Butterfield made a motion to give the PCS a favorable report, unfavorable to the original and refer to the Committee on Appropriations. Motion Carried. Chair asked Staff to comment on the actuarial note.

Chairman Tucker called on Representative Owens to present HB 94 - **AN ACT TO AMEND THE DEFINITION OF RETIREMENT TO CLARIFY THAT SERVICE AS AN UNPAID VOLUNTEER IN A LOCAL SCHOOL ADMINISTRATIVE UNIT IS NOT CONSIDERED SERVICE FOR THE PURPOSE OF THAT DEFINITION.** (*Attachment #4*). A PCS was presented and Representative Tolson made a motion to approve it for consideration. After Representative Owens explained the bill, Representative Falwell moved for a favorable report to the PCS, unfavorable to the original and go directly to the house floor. Motion carried.

There being no further business, the meeting adjourned at 10:45 a.m.

Respectfully submitted,

  
Representative Russell Tucker, Chair

  
Sally Gillis, Committee Assistant

**NORTH CAROLINA HOUSE OF REPRESENTATIVES  
COMMITTEE MEETING NOTICE  
2009-2010 SESSION**

You are hereby notified that the Committee on **Pensions and Retirement** will meet as follows:

**DAY & DATE:**     **Wednesday, March 4, 2009**

**TIME:**             **10:00 A.M.**

**LOCATION:**        **Room 415 LOB**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

<u><b>Bill #</b></u>	<u><b>Short Title</b></u>	<u><b>Sponsor</b></u>
<b>HB 5</b>	<b>Increase Fire and Rescue Benefits</b>	<b>Representative Howard</b>
<b>HB 94</b>	<b>Clarify Definition of Retirement</b>	<b>Representative Owens, Jr.</b>

**A presentation by State Treasurer Janet Cowell and her staff will be made prior to taking up the bills.**

Respectfully,

Representative Russell Tucker  
Chairman

I hereby certify this notice was filed by the committee assistant at the following offices at **3:00 p.m. on March 2, 2009.**

\_\_\_\_Principal Clerk  
\_\_\_\_Reading Clerk - House Chamber

Sally Gillis (Committee Assistant)

# **AGENDA**

## **HOUSE COMMITTEE ON PENSIONS AND RETIREMENT**

**Wednesday, March 4, 2009**

**Room 415 LOB**

**10:00 A.M.**

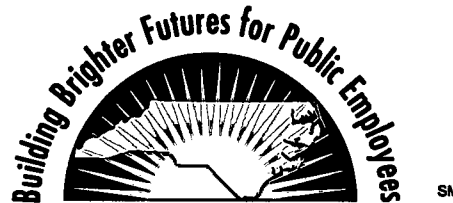
**Presentation by State Treasurer Janet Cowell and Staff**

**HB 5      INCREASE FIRE AND RESCUE BENEFITS**  
**Representative Howard**

**HB 94     CLARIFY DEFINITION OF RETIREMENT**  
**Representative Ownens**

**ADJOURNMENT**

# Retirement Systems Briefing



**North Carolina Retirement Systems**

•My name is Michael Williamson. For the past eight years, I have been the retirement Director.

1 •I have three people with me today: Tony Solari, Legislative Director

3 •David Vanderweide, Policy Director

2 •David Starling, Director of External Relations

•The chair asked that we come today to present an overview of the retirement programs that we manage.

•Time is limited so I only intend to hit the key points about the work we do.

•Divided presentation into three categories

1. Who we are and what programs we manage

2. Retirement System Funding

3. Retirement System Administration

## **Who We Are:**

- First created by the General Assembly in 1941<sup>1</sup>
- 9th largest public pension plan in the country
- 14<sup>th</sup> largest pension plan overall
- 2<sup>nd</sup> in state funding levels by Standard & Poor's
- Total Membership: 820,000
- 1 in 8 working North Carolinians are members of system

<sup>1</sup>Establishment date of the Teachers' and State Employees' Retirement System (NCGS 135-2)

- Local System established in 1940; Teachers and State System in 1941
- According to Pensions and Investments rankings as of earlier this year, we have the 9th largest public plan (up from 10th in 2002) and the 14th largest plan overall (up from 17<sup>th</sup>) by asset size.
- We have over 820,000 members in the systems that we administer. Virtually every public employee in NC, except federal and some university professors and administrators are covered by one of our plans.
- Funding, relative to other public systems, is strong. We will discuss more about this later.
- The astounding fact is that 1 in 8 working North Carolinians are members of these systems.

## **Retirement Systems and Benefit Plans Purpose:**

- Help the State recruit and retain good employees for a career in public service
- Provide deferred income after retirement
- Provide replacement income for disability
- Death benefits for an employee's survivors

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- While it may appear obvious to many of you, I thought it important to address why any organization, especially state government, would want to have a strong retirement system
- Main purpose is to recruit and retain a skilled and committed workforce
- Increasing more important in workplace of today and tomorrow
- Pay has never kept pace with private sector
- Always known for its benefits
- Goal is to provide stable income for employees who have given much of their life in service to the citizens of this state whether that be in retirement, or after that have become incapacitated due to an injury or to their beneficiaries in the event of a death

## **Major Benefit Programs**

- Teachers' & State Employees' Retirement System
  - Active Members: 392,768
  - Retired Members: 142,675
- Local Governmental Employees' Retirement System
  - Active Members: 146,514
  - Retired Members: 40,728
- Consolidated Judicial Retirement System
  - Active Members: 569
  - Retired Members: 463
- Legislative Retirement System & Legislative Fund
  - Active Members: 262
  - Retired Members: 250

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- The Treasurer's Office administers four major retirement systems and a host of pension and benefit plans.
- Here are the four key retirement systems and their current membership.
- We have enclosed a worksheet in your packet that lists the total # of active and retired members within your respective districts that have accounts with the retirement system.



## **Other Benefit Programs**

- Firemen's & Rescue Squad Workers' Pension Fund
- National Guard Pension Plan
- Registers of Deeds Supplemental Pension Plan
- Disability Plan
- Death Benefit
- 401(k) and 457 Defined Contribution Plans

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•As you can see from this slide, we also administer a number of other programs for employee groups that cover the spectrum- from the National Guard to volunteer firemen and rescue squad workers.

•Taken together, they play a critical role in the lives of virtually every public employee in your district.

## **Defined Contribution Plans**

- NC 401(k)
- 457 Deferred Compensation Plan
- UNC Optional Retirement Program

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- The Retirement Systems Division administers the largest 401(k) program in the country.
- It has approximately 217,000 accounts and over \$3.5 bil
- The 401(k) plan is voluntary for most state employees and the state does not make any contributions to it for any employees, except law enforcement.
- However, several hundred local governments do make contributions on behalf of their employees.
- In addition to our 401(k) plan, the State also offers a 457 or Deferred Compensation program. Transferred to our department a couple of years ago and it is voluntary. Over 30,000 members and \$600,000
- The ORP or Optional Retirement System was created as a defined contribution plan for university faculty and high level administrators and is administered by the university system

## **Defined Benefit Formula for the Teachers and State Employees**

- Years of Service x Average Final Compensation (48 highest consecutive months salary) x Accrual Factor (1.82) = Benefit Level
- After 30 years of service, pension will be approximately 54 % of Final Average Salary

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- Primarily two kinds of benefit systems- Defined benefit and Defined Contribution. We administer both.
- DB, which is our primary responsibility is based on a formula that is shown here.
- Formula takes your years of service times your average final compensation times an accrual or formula factor to generate a defined benefit for the remainder of your life, and depending upon which option you take, for you're the life of your beneficiary.
- TSERS has 1.82 and yields 54%
- LGERS has 1.85 and yields roughly 56% after 30 years

## **Cost of Living Adjustments (COLAs)**

- History of COLAs in NC
- Ad-hoc in NC vs. Statutory
- Historically funded with undistributed gains

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- North Carolina has established a tradition of providing Cost of Living Adjustments or COLAs to our retirees.
- COLAs are intended to help the incomes of those persons who have retired keep pace with inflation.
- Many of our former employees draw meager benefits due to their low final average salaries or the length of time that they have been retired. Average benefit is slightly above \$19,000 a year.
- They depend on regular inflationary adjustments to keep pace with the increasing cost to live in our state.
- NC does not have a statutory or mandatory requirement to provide COLAs.
- Rather, the Legislature used undistributed gains in the system or appropriates additional funds in order to provide COLAs.
- These COLAs are provided to retirees in all the systems we administer, including the Teachers and the Local Government.
- I am confident that the retirees in your districts will let you know, if they have not already, how important this is to them.

**NC RETIREMENT SYSTEMS DIVISION**

***House Pensions Committee Briefing***

**Actual Effect of Inflation in TSERS**

<b>Years Retired as of 2008</b>	<b>Cumulative Inflation</b>	<b>Cumulative COLA</b>	<b>Purchasing Power Today as % of Original</b>
20	82%	86%	102%
15	48%	54%	104%
10	30%	25%	96%
5	16%	12%	96%

- This table shows you how retirees in NC have fared in relationship to inflation as measured by the Consumer Price Index.
- As you will note, those retirees who retired 15 and 20 years ago are still holding their own due to larger COLAs provided in the past.
- However, more recent retirees are beginning to fall behind inflation.

## **Death Benefit Plan**

- The Retirement System administers the Death Benefit Plan, which is a life insurance policy for active employees.
- An active employee's family is eligible to receive between \$25,000 and \$50,000 - depending on salary at the time of an active employee's death.

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- Administers two death plans- one for active employees and employees within 6 months of separation of public service
- Pays a death benefit to the beneficiaries equal to one year's salary with a minimum of \$25,000 and a max of \$50,000
- The other is a voluntary plan known as the contributory death benefit

## **Contributory Death Benefit**

- Optional Participation
- Funded by Employee Contributions
- Contribution Rate Dependent on Age
- General Assembly passed legislation in the 2007 session to increase the Contributory Death Benefit from \$9,000 to \$10,000

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### **Optional**

Member contributions that are determined based on the age of the individual when they sign up

Have 60 days after retirement to join this program

Due to investment gains and actuarial experience, we have been able to increase this benefit without an increase in the premium from \$6,000 to \$10,000 over recent years

Some members may remember that this committee did significant work to create an Open enrollment period last year to allow individuals who did not sign up to have access the program- 13,051 enrolled.

## **Disability Income Plan**

- North Carolina provides replacement income to employees who become physically or mentally disabled and unable to work.
- Disability income is provided initially through the disabled employee's employer as a Disability benefit.
- Extended short-term and long-term disability benefits are provided through the Retirement System.

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- As I mentioned earlier, state provides a program for individuals who become incapacitated and can no longer do the duties of their job.
- Short term, long term
- GA created study committee in the past. Met once. No recommendations. Potential exists to improve this program and have better coordination with workers comp and social security disability.

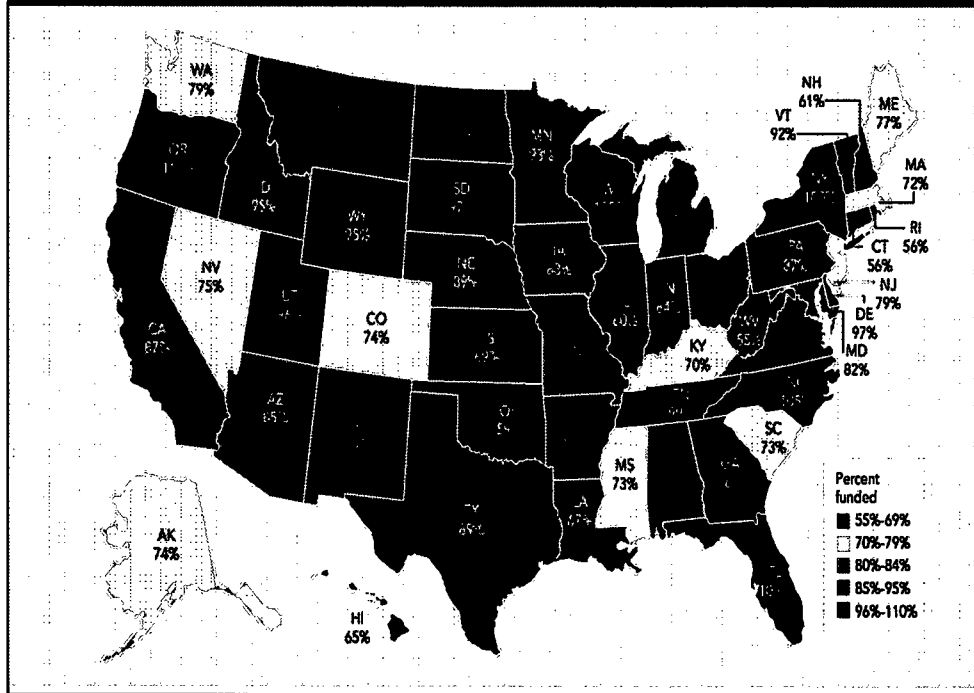


# **RETIREMENT SYSTEMS FUNDING**

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- Many other programs that we administer but in the interest of time I would like to move to my second category retirement systems funding, which has been a topic of considerable concern lately

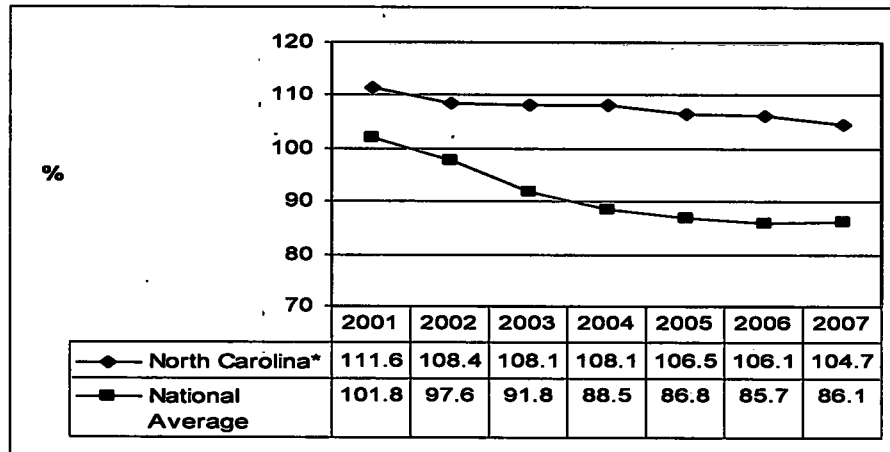
## 2-1 STATE PENSIONS: FUNDING LEVELS, 2006



- One of the things you might have heard about NC's retirement systems is our strong financial health for many years
- Standard and Poors, the Wall Street Journal and others have reported that NC ranks 2<sup>nd</sup> among its peers in actuarial funding ratio for plans covering state employees.
- This map shows that in 2006 there were 9 major public retirement systems funded from 96% to 110%.
- Despite some rather volatile market conditions in recent years, we continue to be among the top performing pension funds in the U.S.
- While we, like virtually every other retirement system, have seen our investments rise and fall in recent years, the Treasurer has done better than almost any other system
- This experience is captured in the next slide

**NC RETIREMENT SYSTEMS DIVISION**  
**House Pensions Committee Briefing**

## Funding Levels



\*Based on "Report on the Sixty-Fifth Annual Valuation of the Teachers' and State Employees' Retirement System of North Carolina, Prepared as of December 31, 2007"

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This chart shows the funding level of NC's TSERS as compared to the national average through 2007

When I took this job in 2001, over 50% of the major public retirement systems were funded over 100%. This means that they had the assets to cover all of their current liabilities.

Now there are only roughly 5 public retirements left that are funded over 100%

While NC has dropped in its funding status, relative to other public systems, we are still doing much better. 104% vs 86%

### **3 Sources of Funding**

- Working employees contribute 6% of each paycheck
- Employers contribute annually based on recommendations from the Systems' actuary
- State Treasurer invests funds in the System, which generates investment earnings

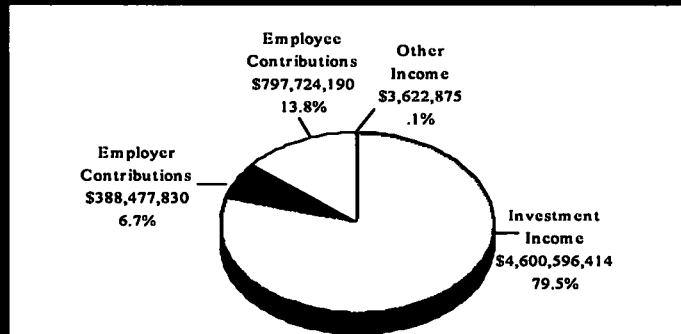
16

- Funding for the system is provided by three sources- Employee Contributions, Employer Contributions, and return from our Investments.
- Together, these three sources have provided us with a financially strong retirement system.

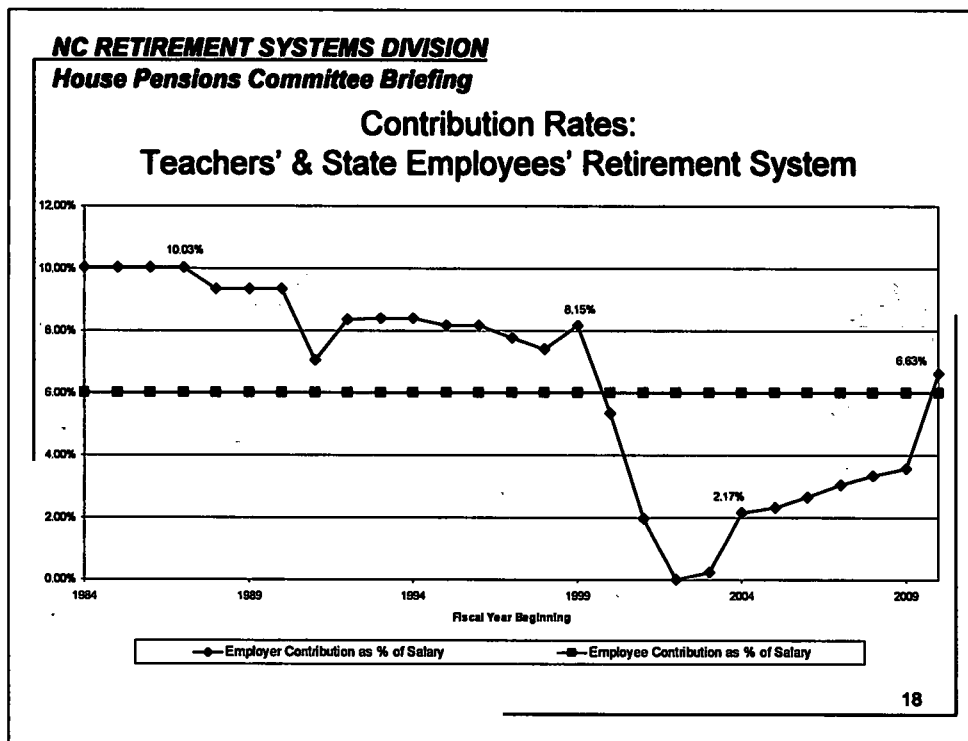
**NC RETIREMENT SYSTEMS DIVISION**  
**House Pensions Committee Briefing**

Teachers' and State Employees' Retirement System  
Year Ended December 31, 2007

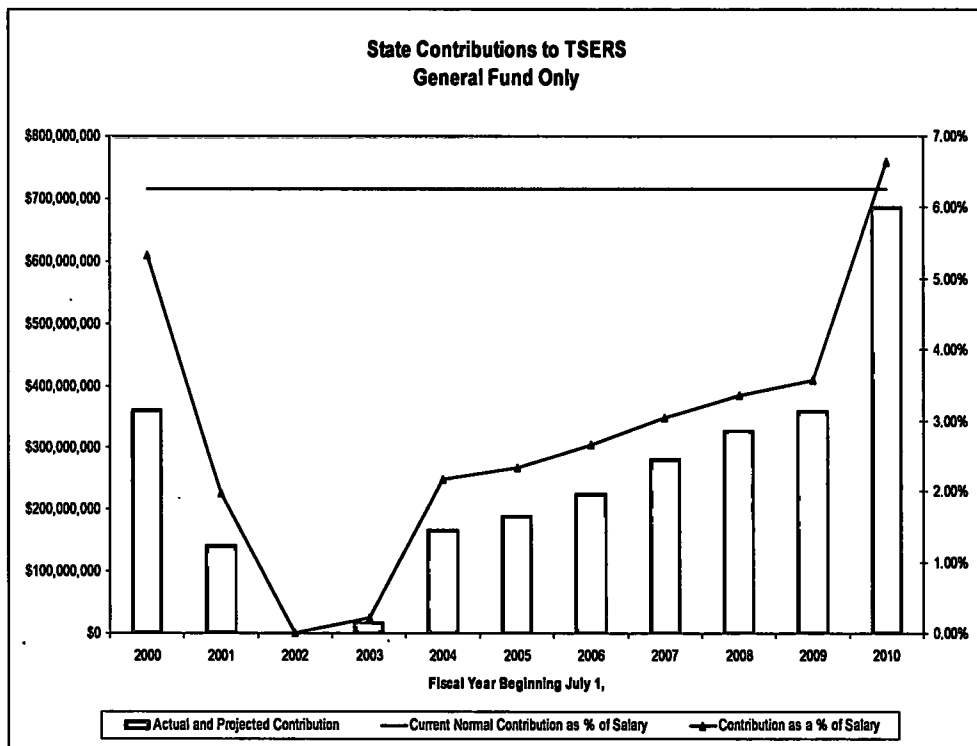
Sources of Funds



- This slide shows the percentages of where the funding comes from and may well be the most surprising slide that I show you today.
- Many people often think that the State, the employer, is the biggest source of funding for our retirement.
- It is not nor is it supposed to be. Rather, one of the strengths of a well managed Defined Benefit system is that returns from the investments account for the bulk of the funds needed to pay benefits



- This graph shows the contribution rates for the employer (the State) and the employee for the last 25 years.
- The upper line represents the employer contribution that has exceeded the 6% paid by the employee for most years.
- However, you will note that it has dropped below the employee rate for the past eight years.
- The strong funding basis of the system has allowed the General Assembly to reduce its contribution in recent years.
- It should be remembered that in a Defined Benefit retirement system like we have in NC, the employer ultimately must provide the funding to fund the promised benefits.
- While the reduced employer contributions can be defended actuarially, the diminished income, coupled with a volatile stock market, has placed significant financial pressure on the system.
- You may recall the recent press conference held by Treasurer Cowell where she stated that the state's contribution would need to increase by \$29 million next year and approximately \$330 million the following year to meet the required contributions reported by the actuary.



- This chart translates the percent of salary to actual dollars needed to fund the retirement system.
- As you can see, the funding will need to increase from \$328 million in the current fiscal year to \$686 in the second year of the next biennium.

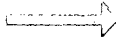
## **Economic Impact**

**Taxpayer Contribution Factor\***



**\$1.00**

Contributed by taxpayers to  
North Carolina pensions over 30 years



**\$11.08**

total output

Each \$1 in taxpayer contributions to North Carolina's state and local pension plans supported \$11.08 in total output in the state. This reflects the fact that taxpayer contributions are a major source of financing for retirement benefits, investment earnings and employee contributions finance the lion's share.

State and local pension payments support:

- 29,070 jobs in the state
- \$4.2 billion in annual economic output

Source: National Institute on Retirement Security

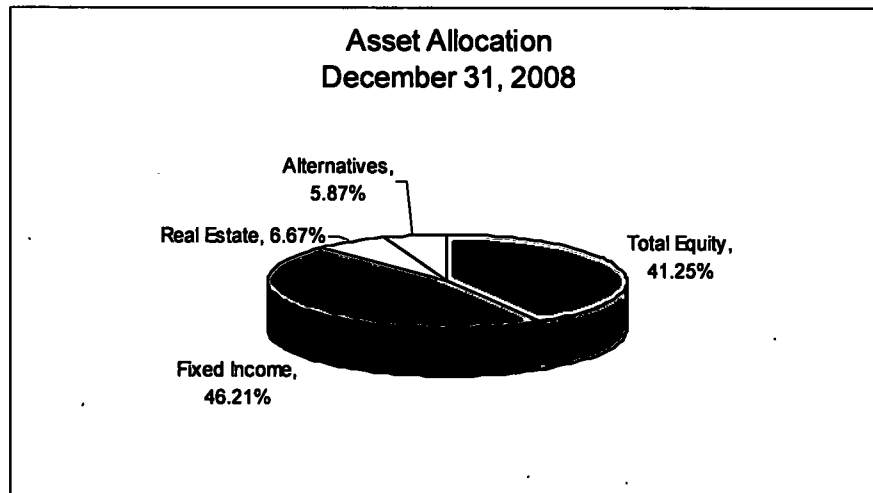
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•As you can see from this slide, we also administer a number of other programs for employee groups that cover the spectrum- from the National Guard to volunteer firemen and rescue squad workers.

•Taken together, they play a critical role in the lives of virtually every public employee in your district.



**NC RETIREMENT SYSTEMS DIVISION**  
**House Pensions Committee Briefing**



- This chart shows our current asset allocation as of december 31 last year.
- As you can see, we still have over 40% of our investments in the stock market and slightly over 46% in the bonds with smaller amounts in real estate and alternatives (hedge funds and private equity)(venture capital and leveraged buyouts).
- One of the reasons we have fared better than other public retirement systems, is that we have been more conservatively invested than other public systems

**NC RETIREMENT SYSTEMS DIVISION**  
***House Pensions Committee Briefing***

**Pension Investments Total Returns  
As of December 2008**

1 Year	-19.72 %
3 Years	-1.05 %
5 Years	2.83 %
10 Years	3.66 %

- However, as this chart shows, we still experienced losses last year of 19.72%.
- Wish my personal investments had only lost 20%

# **RETIREMENT SYSTEMS ADMINISTRATION**

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I would like to take a few minutes to cover my last category which focuses on our efforts to improve administration of the retirement systems

## **MISSION**

**To Provide Excellent Customer Service,  
Information, and Benefits in an Accurate  
and Timely Manner**

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Our mission

## **UNPARELLED GROWTH**

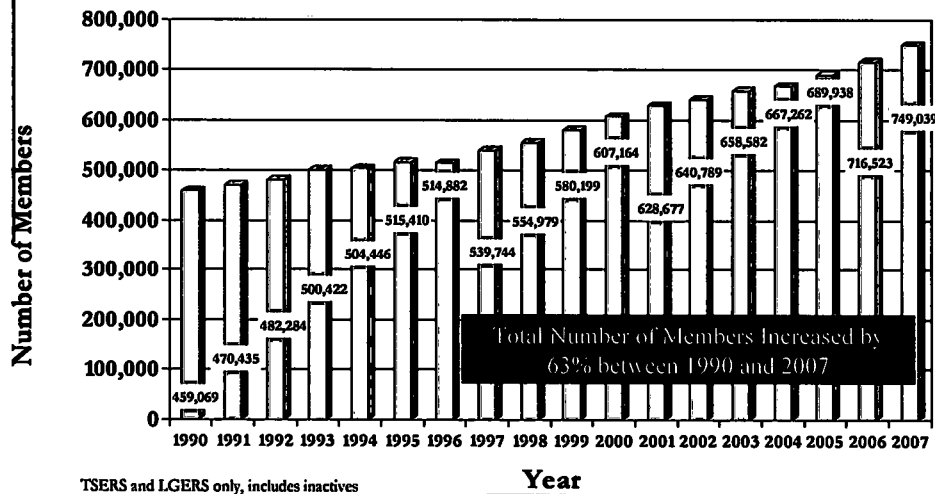
- Total Membership up 63% since 1990
- Retirements Processed up 144% since 1991
- Deaths Reported up 193% since 1991
- Disability Applications up 54% since 1994
- Member Service Request up 148% since 1998

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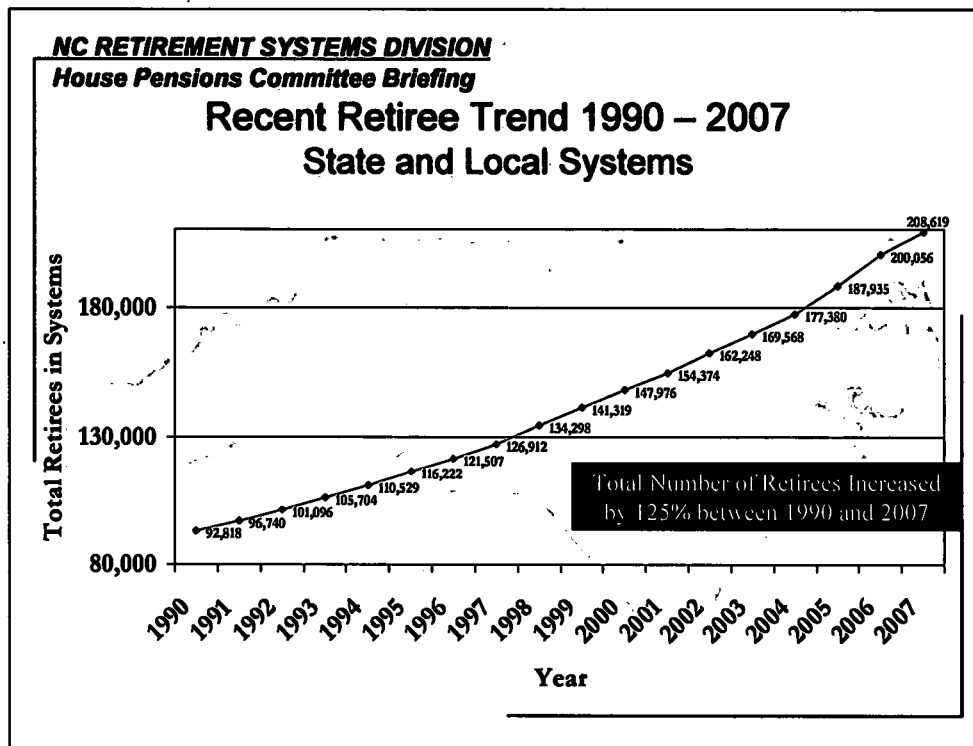
It has been a tremendous challenge in recent years to accomplish this mission due to the significant increases in workload that we have experienced in virtually every program we administer

**NC RETIREMENT SYSTEMS DIVISION**  
**House Pensions Committee Briefing**

**Growth in Retirement System Membership  
 From 1990-2007**



- This chart shows the steady growth in retirement system membership that has occurred over the past 17 years.
- Many people do not realize that once a working employee retires, they do not go away.
- Rather they simply move into another category for us called retiree and a new person is usually hired to replace them.

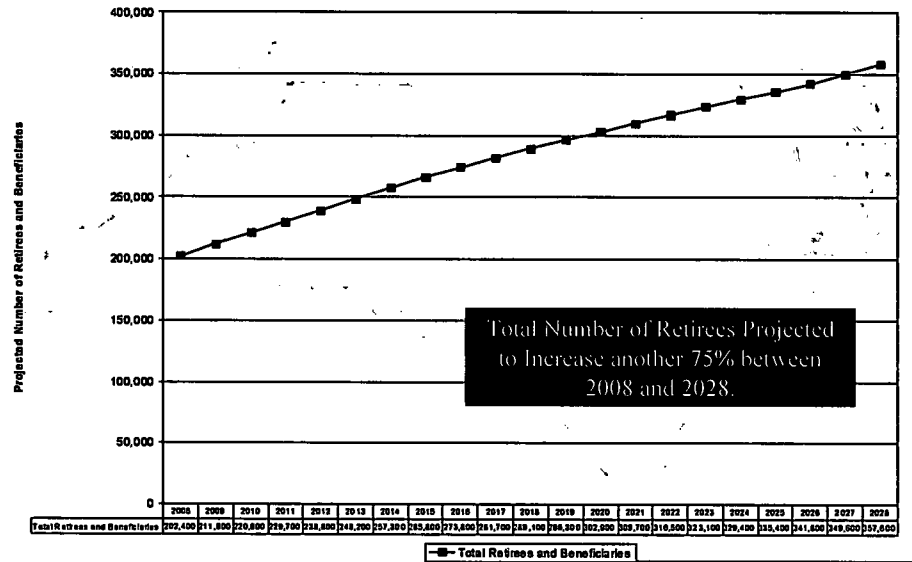


- This chart shows you the actual increase in the number of retirees over this same period of 17 years.
- This represents a 125% increase in the number of retirees we have to serve and pay each month.

# **NC RETIREMENT SYSTEMS DIVISION**

## **House Pensions Committee Briefing**

Projected Retiree Trend for 2008 - 2028  
TSERS and LGERS



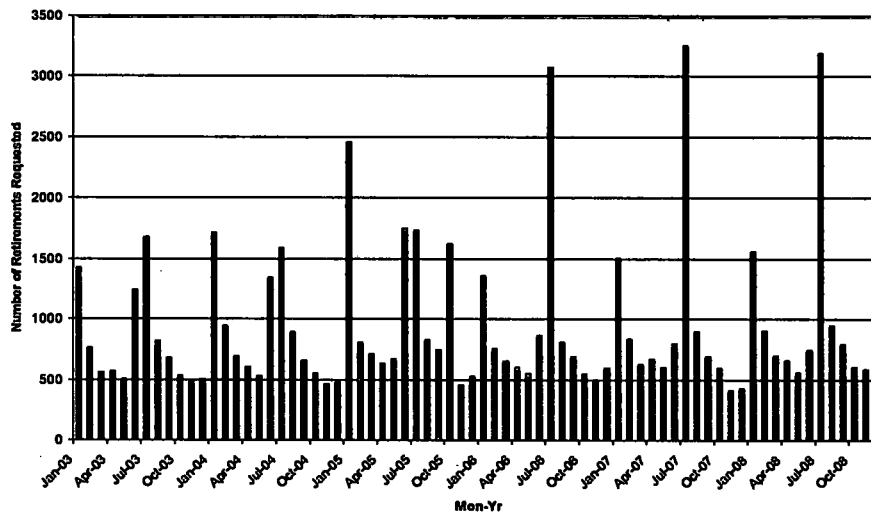
- What is even more startling is the number of employees projected to retire in the next 20 years.



**NC RETIREMENT SYSTEMS DIVISION**  
**House Pensions Committee Briefing**

**Retirements Requested by Month**

Retirements Requested By Month



- This chart shows the number of employees who have retired by month over the past six years.

- As you will see, we have two times of the year when retirements spike- January and July.

- While we constantly work to improve the process we use to retire these employees, it is virtually impossible to handle these spikes twice a year without experiencing delays.

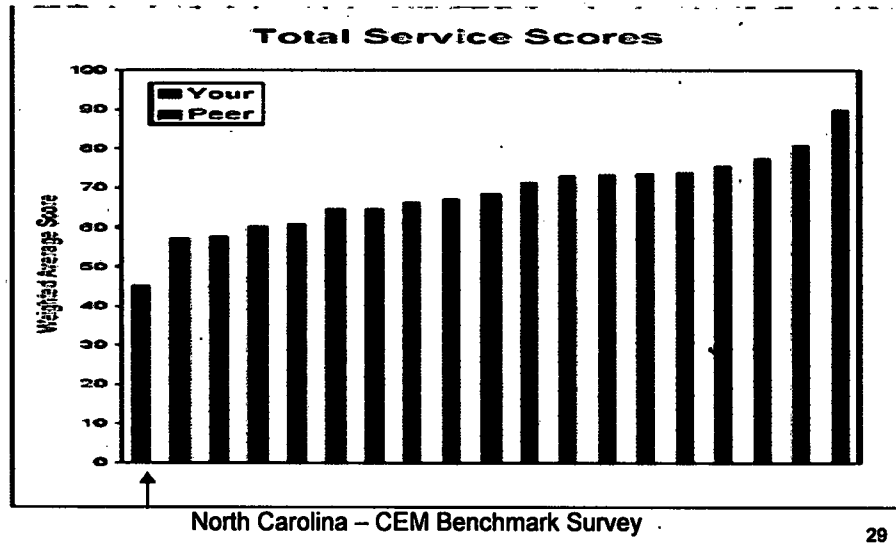
- Your constituents will get paid and the pay will be retroactive to their retirement date but I hope that they, and you, will be patient with us during these times of the year.

- When I took this job eight years ago, I tried to find some way to measure how we were doing relative to other public retirement systems

- I discovered and signed up for a service that compares us on several factors with other public retirement systems.

- This is what we found out.

## **Customer Service (2002)**



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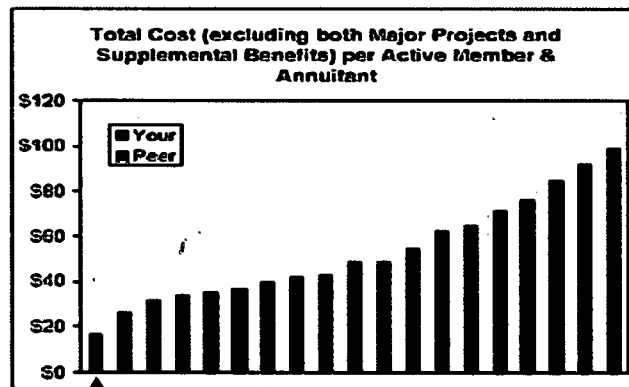
- As you can see, the service we provided to our members was not very good.
- In fact, we were dead last in customer service.
- The next question was why. Were folks just not working hard?
- It turns out there were several answers: outdated technology, poor process management and a lack of resources.

**NC RETIREMENT SYSTEMS DIVISION**

**House Pensions Committee Briefing**

## **Administrative Costs (2002)**

**Your Total Cost of \$16 per active member and annuitant is the lowest of all participants and is 1/3 of the \$49 peer median cost.**



North Carolina – CEM Benchmark Survey

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- Once again, when compared to a number of our peer public retirement systems we were dead last.
- While the other public retirement systems spent \$49 on average to serve each of their members, NC spent \$16, less than a third of what other systems were spending to administer their programs.
- We are good, but we are not that good.
- It is a constant challenge to try and run a vast retirement system on a half vast budget

**NC RETIREMENT SYSTEMS DIVISION****House Pensions Committee Briefing**

<b>Retirement System</b>	<b>Total System Membership</b>	<b>Total Employees</b>	<b>Members Served /Employee</b>
PA State Emp. Ret. Syst.	264,000	221	1,195
MO State Emp. Ret. System	79,147	59	1,341
Ret. Syst. Of Alabama	292,594	168	1,742
OH Pub. Emp. Ret. Syst.	810,166	474	1,709
Pub. Emp. Ret. Syst. Of Idaho	112,111	59	1,900
CO Pub. Emp. Ret. Assoc.	375,266	165	2,274
WA State Dept of Ret. Systems	567,192	218	2,602
Virginia Ret. Systems	555,895	203	2,738
KA Pub. Emp. Ret. Syst.	250,145	73	3,427
TN Consolidated Ret. Syst.	205,000	59	3,475
Michigan Office of Ret. Services	602,637	158	3,814
NC Retirement Systems	781,350	163	4,794

NC peer system employee to member ratio averages 1:2,383

NC employee to member ratio is 1:4,794

(Data as of Feb-06)

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Another comparison showed that the average staffing ratio in public retirement systems similar to use in size and complexity were 1 staff person to every 2,383 members they served

NC's member ratio was 1 to 4,794 over twice as many members per staff person

## **What Have We Been Doing About It?**

- Improving our business processes
- Requesting additional resources
- Upgrading information technology

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- Being dead last was not an acceptable alternative- to our members, to us or even to you if the number of complaints we were getting from the General Assembly was any indication.
- So what have we done about it?
- Three things:
  - Improving our business processes so that we work more efficiently.
  - Over the past two years, we have studied and improved several of our key business processes.
  - The improvements are noticeable.
  - But we are no where near where we need to be.
  - It will take months more of hard work to have a retirement system that we can all be proud of.
  - In recent years, we came to the General Assembly and requested more positions to help us manage the workload
  - You provided us with new positions, funded from the Retirement Trust Fund, not the General Fund.
  - We want to thank you for that support
  - I want to let know that those positions have helped us significantly, along with the work we have been doing to improve our efficiency.



- One of our attempts to improve efficiency was to build a new integrated technology system which we completed in October of 2007

## **Web Access for Active Employees**

### **Active Employees Can...**

- View their service history, credit and salary information
- View beneficiary information
- Access member annual statements
- Calculate estimated retirements using actual reported salary and service credit

34

When ORBIT went live, active employees were able to go online 24 hours a day and access the following information:

- View their service history, credit and salary information
- View beneficiary information
- Access member annual statements
- Calculate estimated retirements using actual reported salary and service credit

Though employees have access to this information, the Retirement Systems Division continues to be available to answer questions and process requests. But with ORBIT, we'll be using state-of-the-art technology that will improve the level of service we offer to you and the efficiency with which we can perform our work.

In summary, NC has a strong retirement system, one of the strongest in the country. We provide a very diverse group of services to over 820,000 employees and retirees in this state and with your help we have been able to drastically improve our service to those individuals and their families.

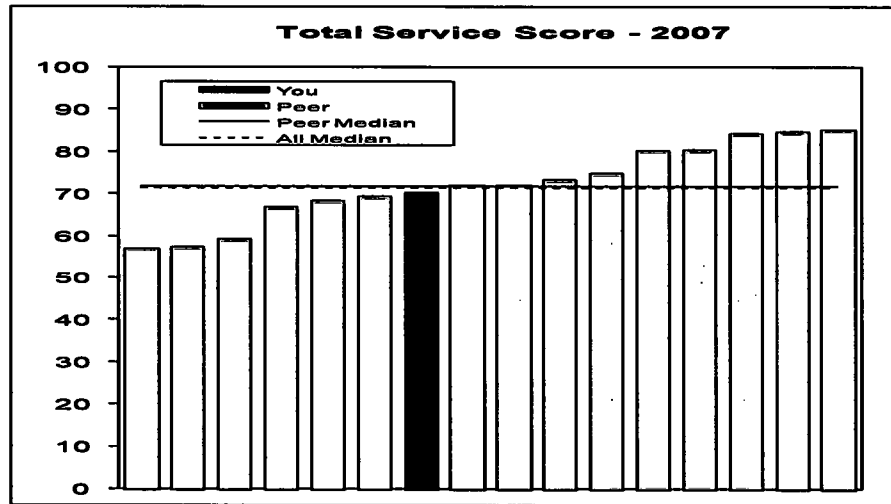
So how are we doing as a result of these improvements

**NC RETIREMENT SYSTEMS DIVISION**

**House Pensions Committee Briefing**

**Customer Service:**

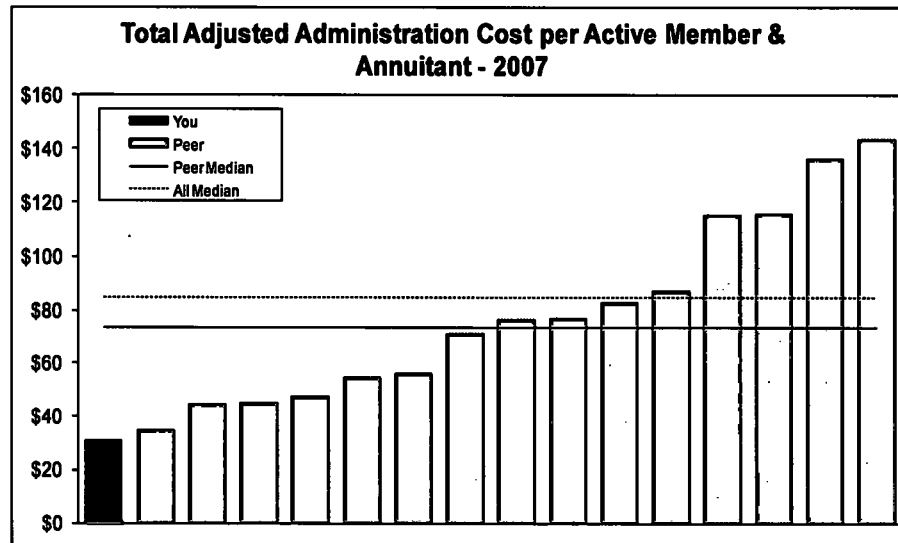
**Our service score is 70; Peer median score is 72.**



- A 2007 comparison of our customer service with the same group of public pension systems indicates that we have moved to the middle of the pack.
- Are we where we want to be? No, but the implementation of ORBIT and other changes have helped us continue on this path of providing the benefits to the people who have given their lives to serving the citizens of this state



**NC RETIREMENT SYSTEMS DIVISION**  
***House Pensions Committee Briefing***



•And we are still dead last in terms of cost.

## **Service Audit Team (SAT)**

- Service reported under old computer systems was not always accurate and required verification from old documents.
- ACS/Buck Consultants hired for systematic reviews of service to insure accuracy of records in ORBIT.
- About 300,000 accounts already audited, many of these could be automated
- About 68,000 accounts remaining
- Goal is to complete audits over next 2 years.

There are two areas that we need additional assistance.

One is continued funding for our Service Audit Team that is working to clean up and validate the many of our oldest accounts.

This will be the fourth year of a five year contract.

## **Employer Reporting**

- Pre-ORBIT required 7 items of information from employers
- ORBIT requires 37 items of information from employers
  - Over 500,000 updates monthly
  - 15,000 errors per month

- The second need we have is for some additional staff to help us process the new monthly reports we are receiving from our over 1,100 employers.
- The new system provides us with 37 pieces of information on each member every month rather than the 7 we used to receive.
- It also generates 7-14,000 errors that we have to correct before all our members accounts can be posted.
- We simply do not have the staff to get this done in a timely manner and we will be working with the General Assembly to try and address this need during the upcoming budget discussions

## **Upcoming Issues**

- **Ongoing Funding of the Retirement System**
- **Return to Work Policy**
- **Work Force Changes**

**NC RETIREMENT SYSTEMS DIVISION**

**House Pensions Committee Briefing**

**HOW TO CONTACT THE RETIREMENT DIVISION**

• Website:	<a href="http://www.nctreasurer.com">www.nctreasurer.com</a>
• Retirees call:	Toll free: 1-877-733-4191, or Local (919) 733-4191
• Active Employees call:	Toll free 1-877-627-3287, or Local (919) 807-3050
• E-mail:	<a href="mailto:nc.retirement@treasurer.state.nc.us">nc.retirement@treasurer.state.nc.us</a>
• Fax:	(919) 508-5350
• Mail:	Retirement Systems Division Department of State Treasurer Albemarle Building 325 North Salisbury Street Raleigh, NC 27603-1385
• Retirement Director:	Michael Williamson, 508-5303
• Constituent Concerns:	Anthony Solari, 807-4994 David Starling, 807-3042
• Legislator's Personal Retirement:	Don Perry, Research and Planning Officer, 508-5304

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- Contact information.
- Feel free to have your staff contact any of the three of us listed at the bottom of this chart
- If you have a particular question about your legislative retirement, please call Con Perry

# Questions & Answers



**North Carolina Retirement Systems**

# **Retirement Systems Briefing**



SM

**North Carolina Retirement Systems**

## **Who We Are:**

- First created by the General Assembly in 1941<sup>1</sup>
- 9th largest public pension plan in the country
- 14<sup>th</sup> largest pension plan overall
- 2<sup>nd</sup> in state funding levels by Standard & Poor's
- Total Membership: 820,000
- 1 in 8 working North Carolinians are members of system

<sup>1</sup>*Establishment date of the Teachers' and State Employees' Retirement System (NCGS 135-2)*



# **Retirement Systems and Benefit Plans Purpose:**

- Help the State recruit and retain good employees for a career in public service
- Provide deferred income after retirement
- Provide replacement income for disability
- Death benefits for an employee's survivors

# **Major Benefit Programs**

- **Teachers' & State Employees' Retirement System**
  - Active Members: 392,768
  - Retired Members: 142,675
- **Local Governmental Employees' Retirement System**
  - Active Members: 146,514
  - Retired Members: 40,728
- **Consolidated Judicial Retirement System**
  - Active Members: 569
  - Retired Members: 463
- **Legislative Retirement System & Legislative Fund**
  - Active Members: 262
  - Retired Members: 250

# **Other Benefit Programs**

- Firemen's & Rescue Squad Workers' Pension Fund
- National Guard Pension Plan
- Registers of Deeds Supplemental Pension Plan
- Disability Plan
- Death Benefit
- 401(k) and 457 Defined Contribution Plans

# **Defined Contribution Plans**

- **NC 401(k)**
- **457 Deferred Compensation Plan**
- **UNC Optional Retirement Program**

## **Defined Benefit Formula for the Teachers and State Employees**

- Years of Service x Average Final Compensation (48 highest consecutive months salary) x Accrual Factor (1.82) = Benefit Level
- After 30 years of service, pension will be approximately 54 % of Final Average Salary

# **Cost of Living Adjustments (COLAs)**

- History of COLAs in NC
- Ad-hoc in NC vs. Statutory
- Historically funded with undistributed gains

# **NC RETIREMENT SYSTEMS DIVISION**

## ***House Pensions Committee Briefing***

### **Actual Effect of Inflation in TSERS**

<b>Years Retired as of 2008</b>	<b>Cumulative Inflation</b>	<b>Cumulative COLA</b>	<b>Purchasing Power Today as % of Original</b>
20	82%	86%	102%
15	48%	54%	104%
10	30%	25%	96%
5	16%	12%	96%

## **Death Benefit Plan**

- The Retirement System administers the Death Benefit Plan, which is a life insurance policy for active employees.
- An active employee's family is eligible to receive between \$25,000 and \$50,000 - depending on salary at the time of an active employee's death.



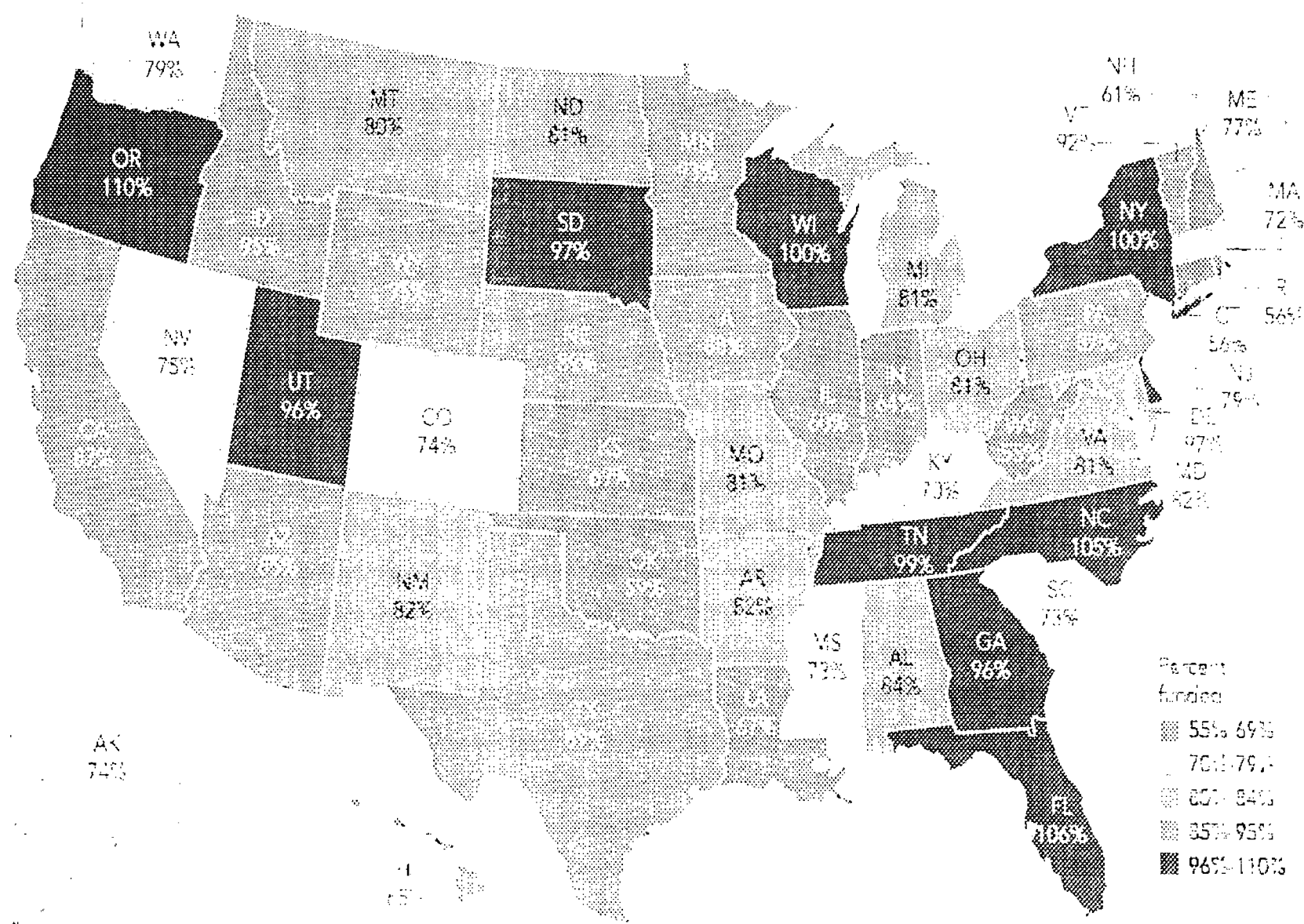
# **Contributory Death Benefit**

- Optional Participation
- Funded by Employee Contributions
- Contribution Rate Dependent on Age
- General Assembly passed legislation in the 2007 session to increase the Contributory Death Benefit from \$9,000 to \$10,000

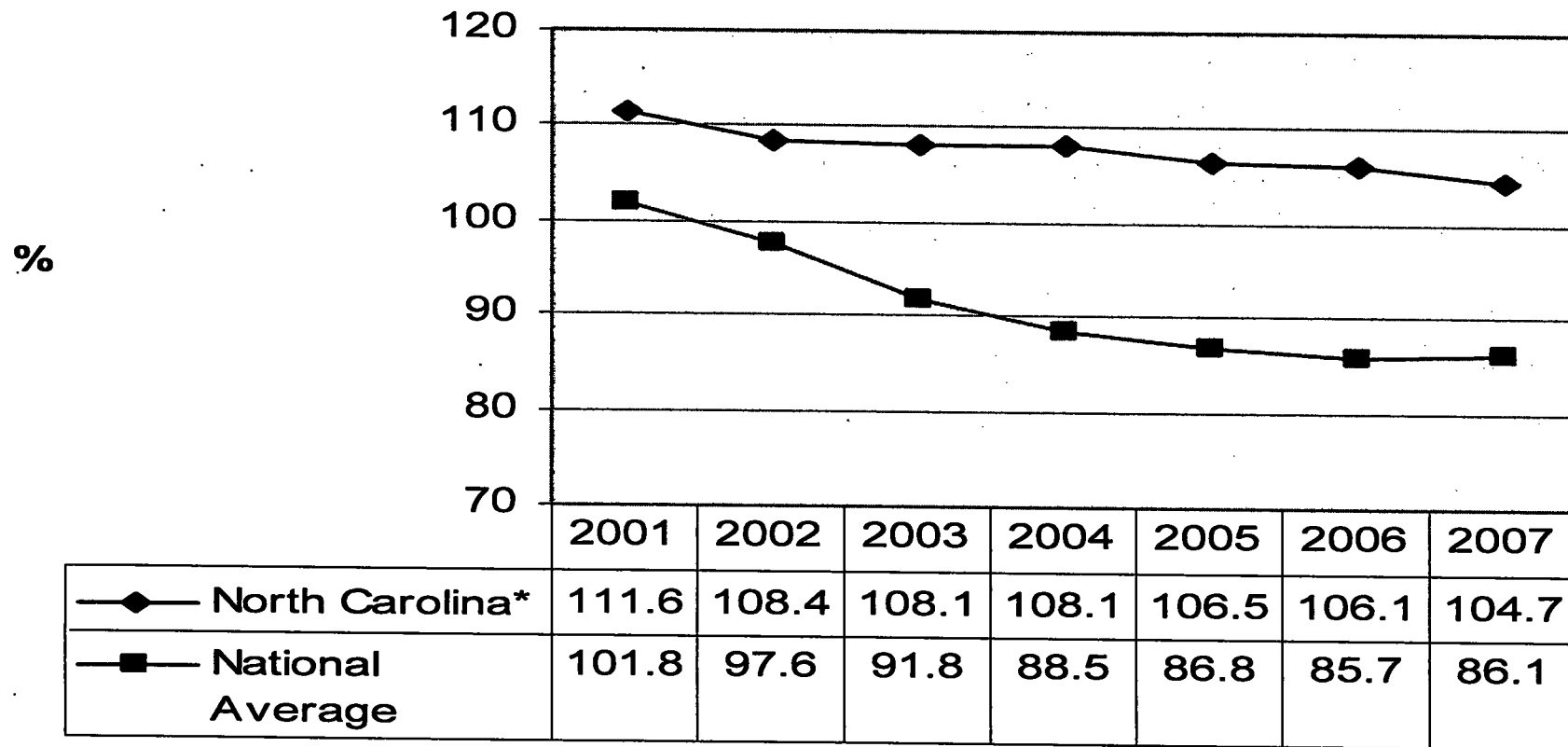
## **Disability Income Plan**

- North Carolina provides replacement income to employees who become physically or mentally disabled and unable to work.
- Disability income is provided initially through the disabled employee's employer as a Disability benefit.
- Extended short-term and long-term disability benefits are provided through the Retirement System.

# **RETIREMENT SYSTEMS FUNDING**



# Funding Levels



*\*Based on "Report on the Sixty-Fifth Annual Valuation of the Teachers' and State Employees' Retirement System of North Carolina, Prepared as of December 31, 2007"*

## **3 Sources of Funding**

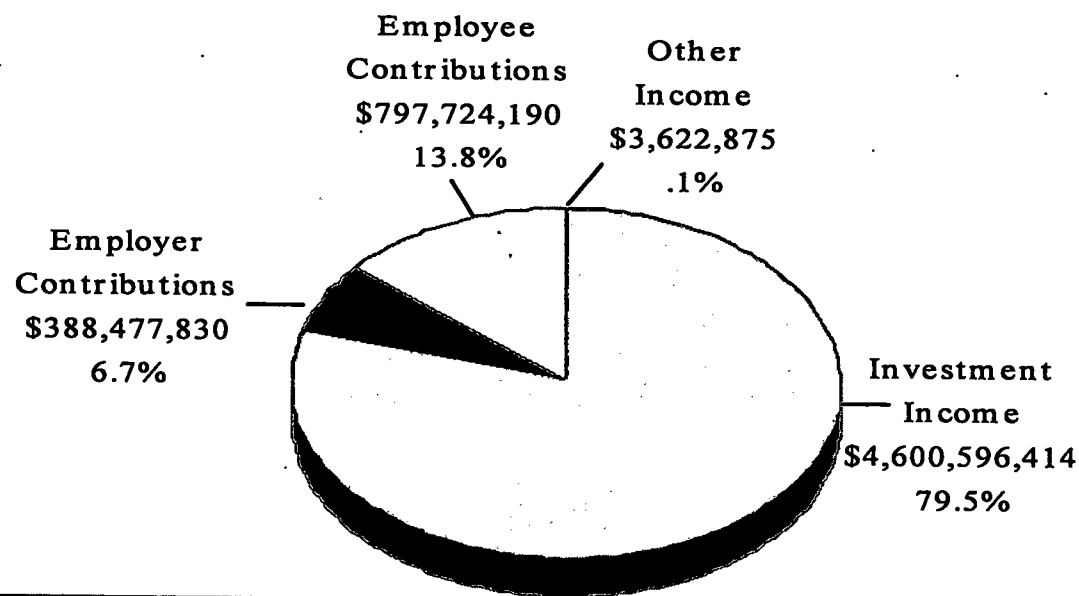
- Working employees contribute 6% of each paycheck
- Employers contribute annually based on recommendations from the Systems' actuary
- State Treasurer invests funds in the System, which generates investment earnings

# **NC RETIREMENT SYSTEMS DIVISION**

## ***House Pensions Committee Briefing***

### **Teachers' and State Employees' Retirement System Year Ended December 31, 2007**

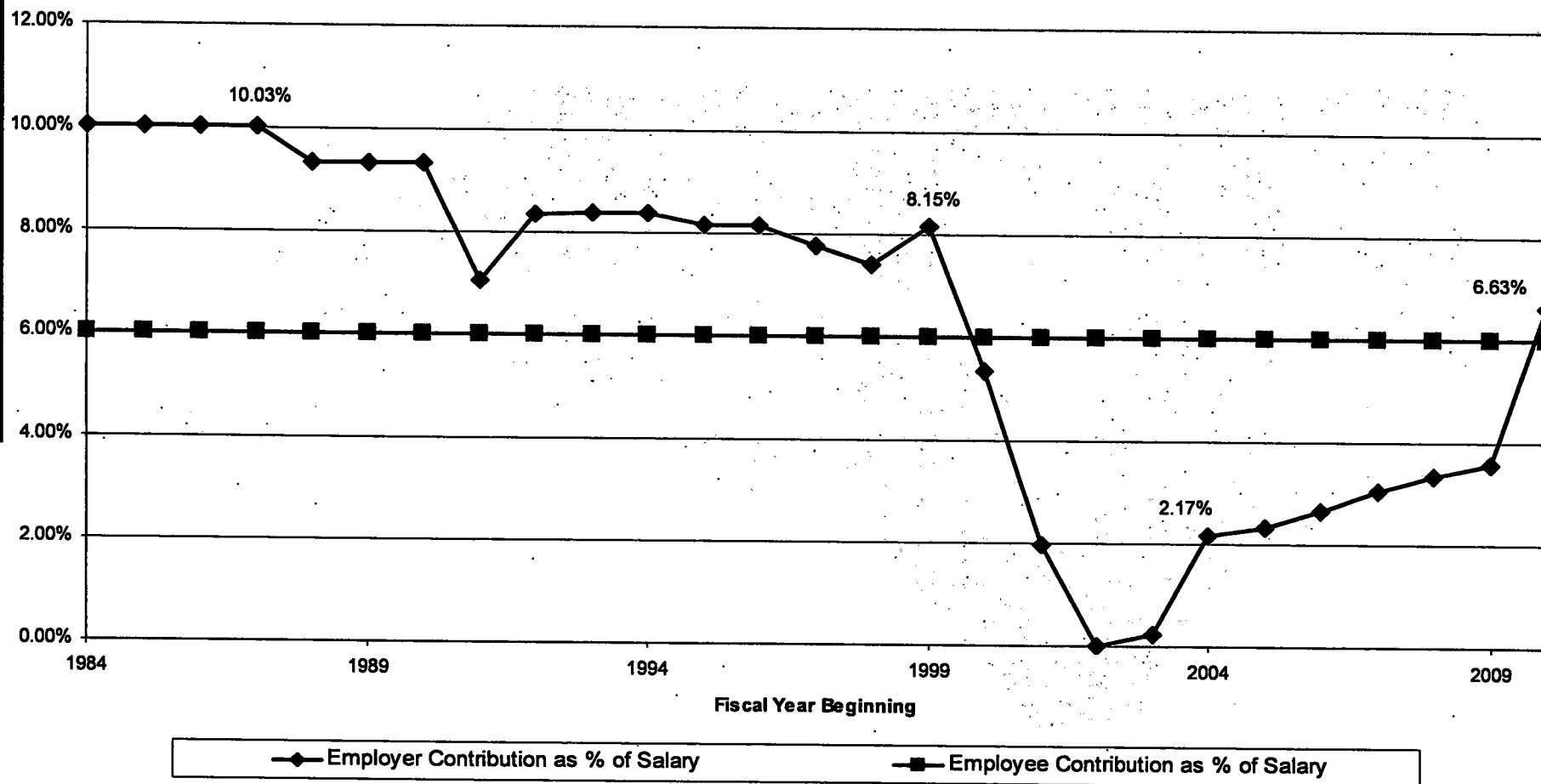
#### **Sources of Funds**



# **NC RETIREMENT SYSTEMS DIVISION**

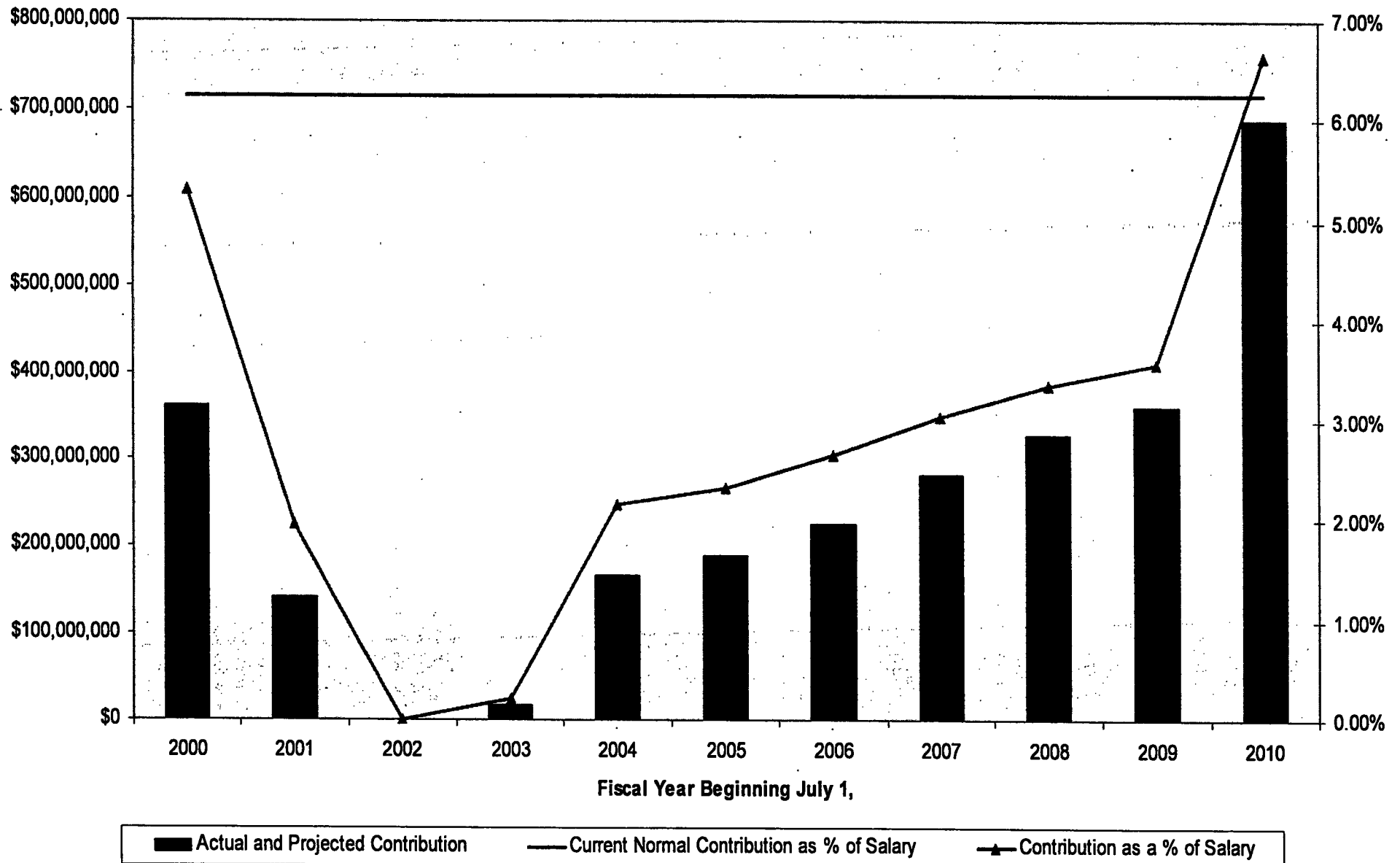
## ***House Pensions Committee Briefing***

### **Contribution Rates: Teachers' & State Employees' Retirement System**



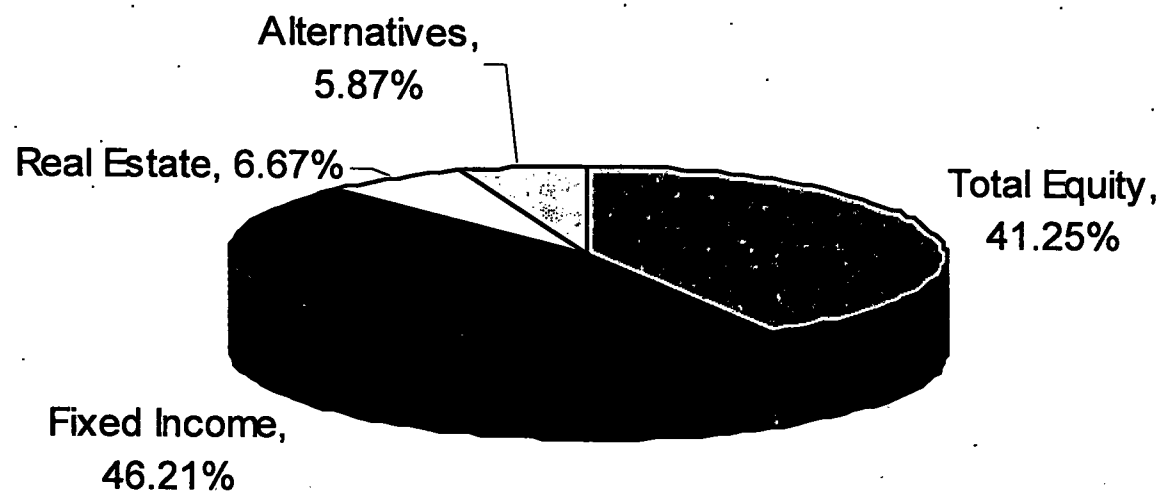


## State Contributions to TSERS General Fund Only



**NC RETIREMENT SYSTEMS DIVISION**  
***House Pensions Committee Briefing***

**Asset Allocation  
December 31, 2008**



**NC RETIREMENT SYSTEMS DIVISION**

***House Pensions Committee Briefing***

**Pension Investments Total Returns  
As of December 2008**

1 Year	-19.72 %
3 Years	-1.05 %
5 Years	2.83 %
10 Years	3.66 %

# **RETIREMENT SYSTEMS ADMINISTRATION**

# **MISSION**

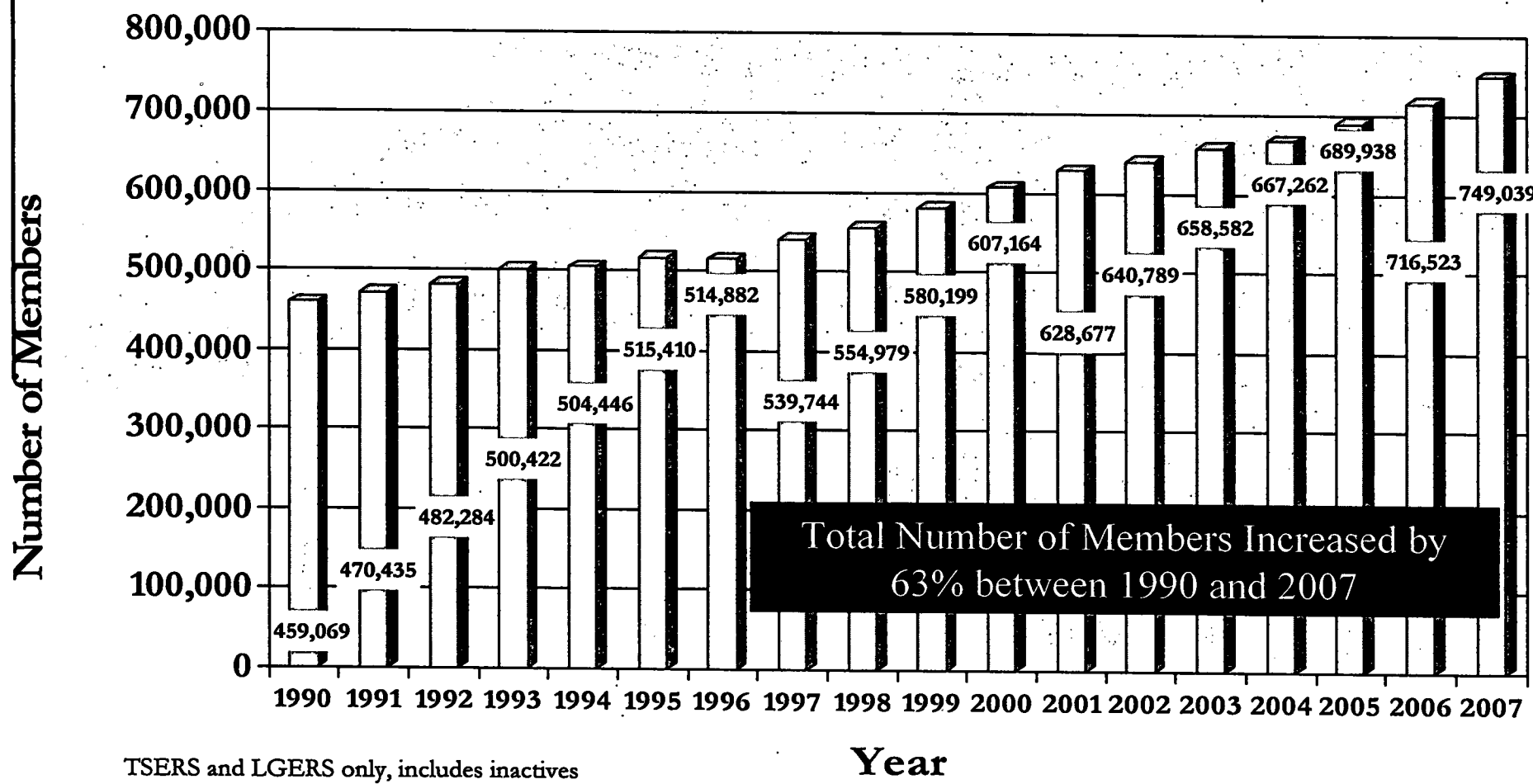
**To Provide Excellent Customer Service,  
Information, and Benefits in an Accurate  
and Timely Manner**

# **UNPARELLED GROWTH**

- Total Membership up 63% since 1990
- Retirements Processed up 144% since 1991
- Deaths Reported up 193% since 1991
- Disability Applications up 54% since 1994
- Member Service Request up 148% since 1998

**NC RETIREMENT SYSTEMS DIVISION**  
**House Pensions Committee Briefing**

## Growth in Retirement System Membership From 1990-2007

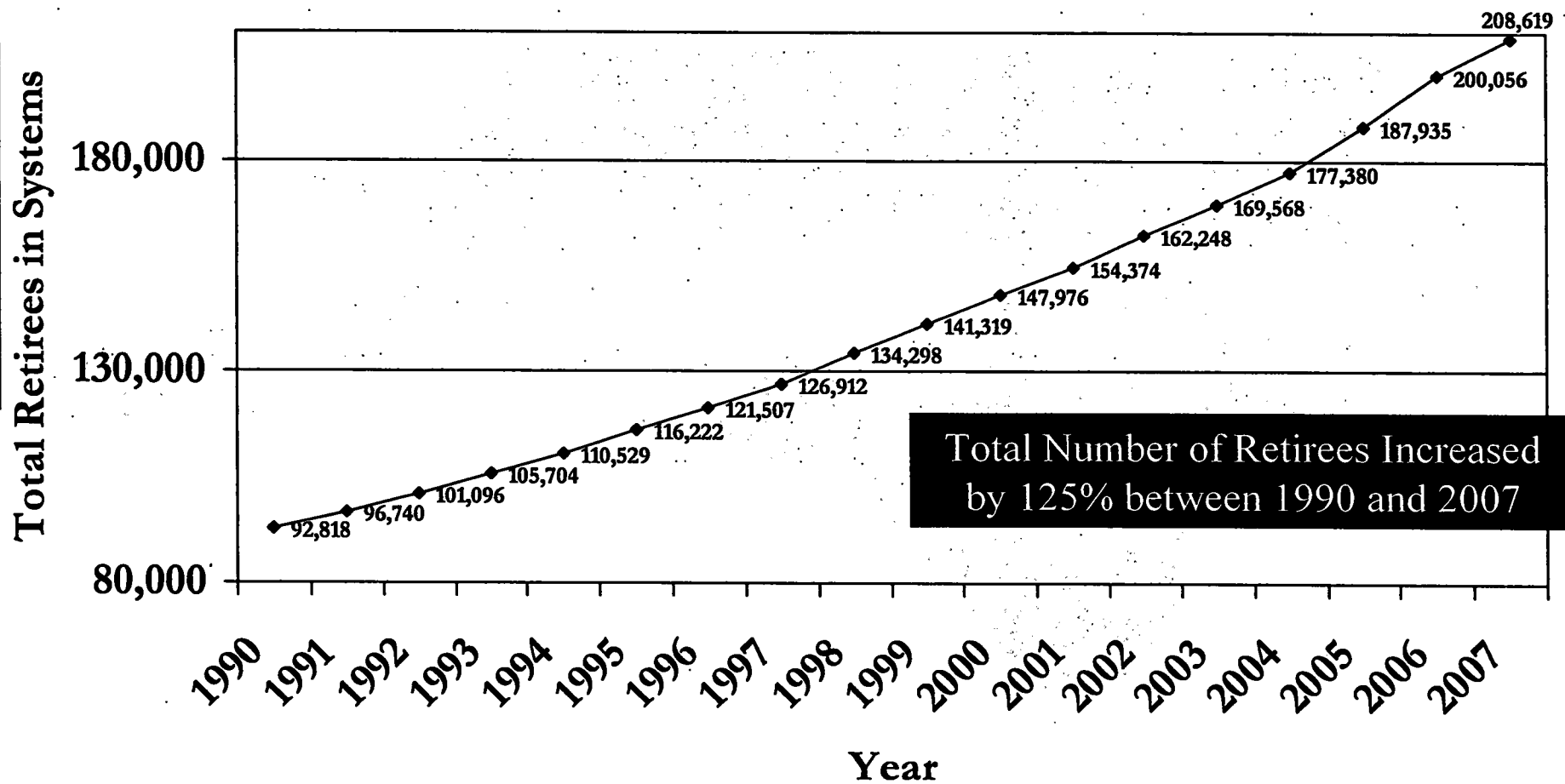


# NC RETIREMENT SYSTEMS DIVISION

## *House Pensions Committee Briefing*

### Recent Retiree Trend 1990 – 2007

#### State and Local Systems

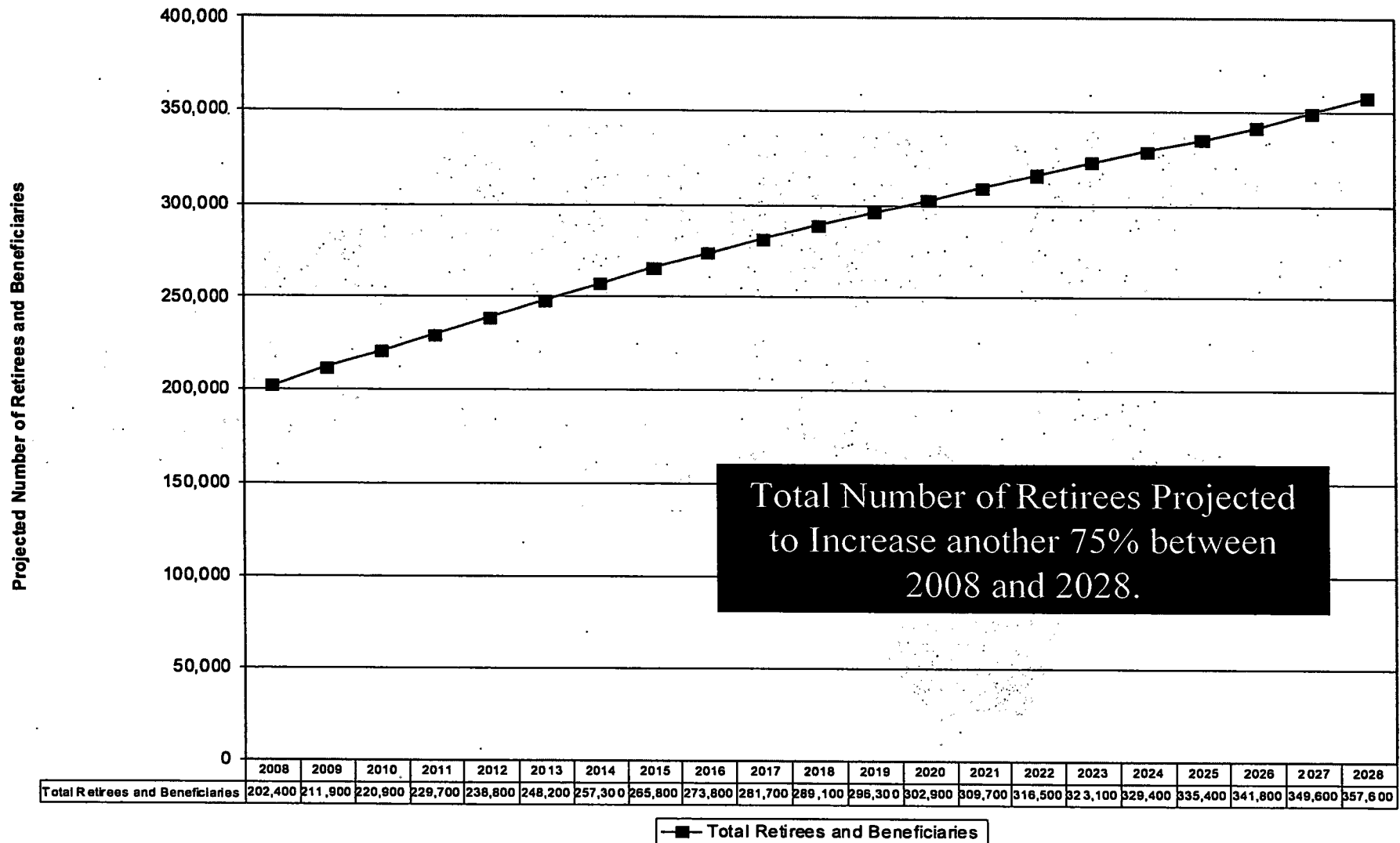




# NC RETIREMENT SYSTEMS DIVISION

## House Pensions Committee Briefing

Projected Retiree Trend for 2008 - 2028  
TSERS and LGERS

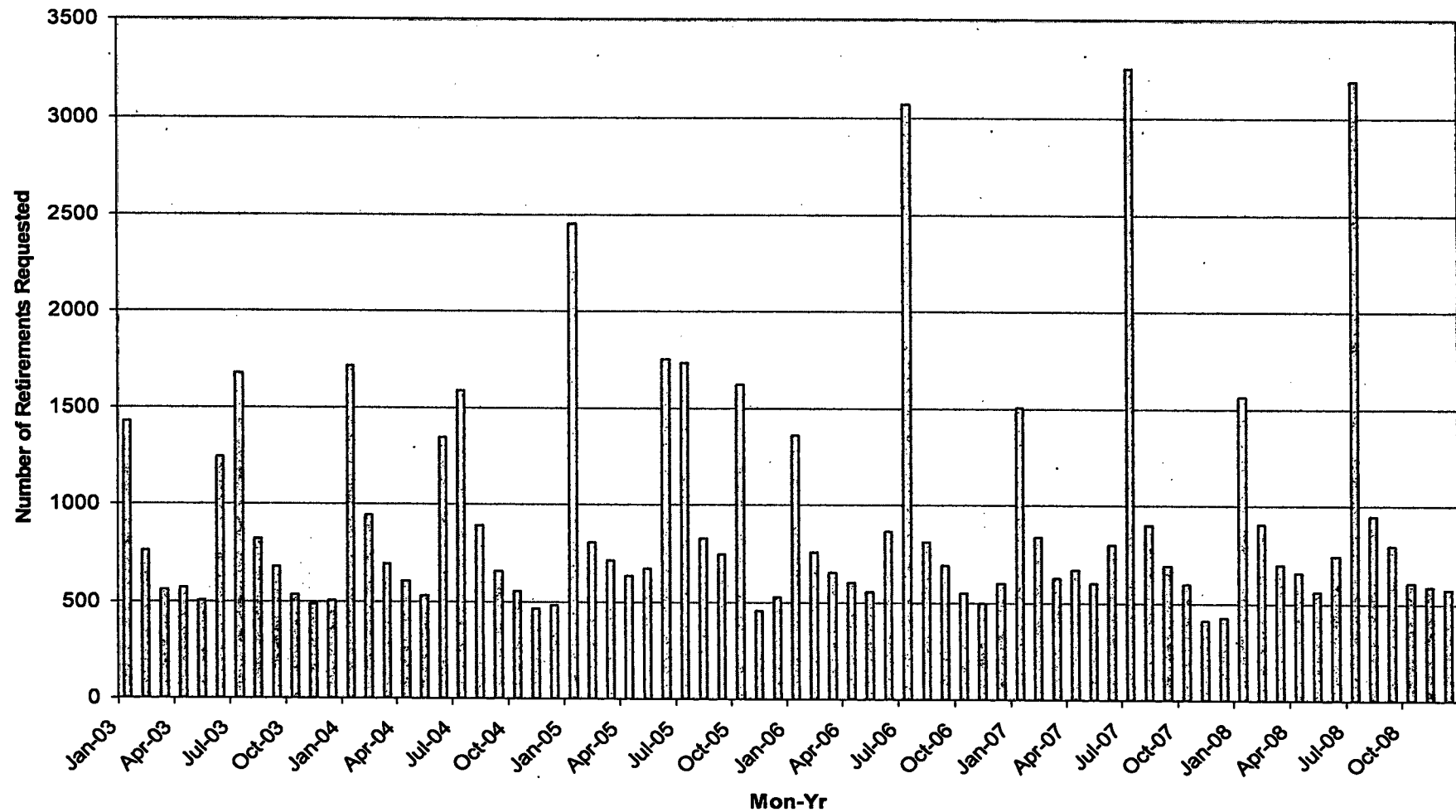


# NC RETIREMENT SYSTEMS DIVISION

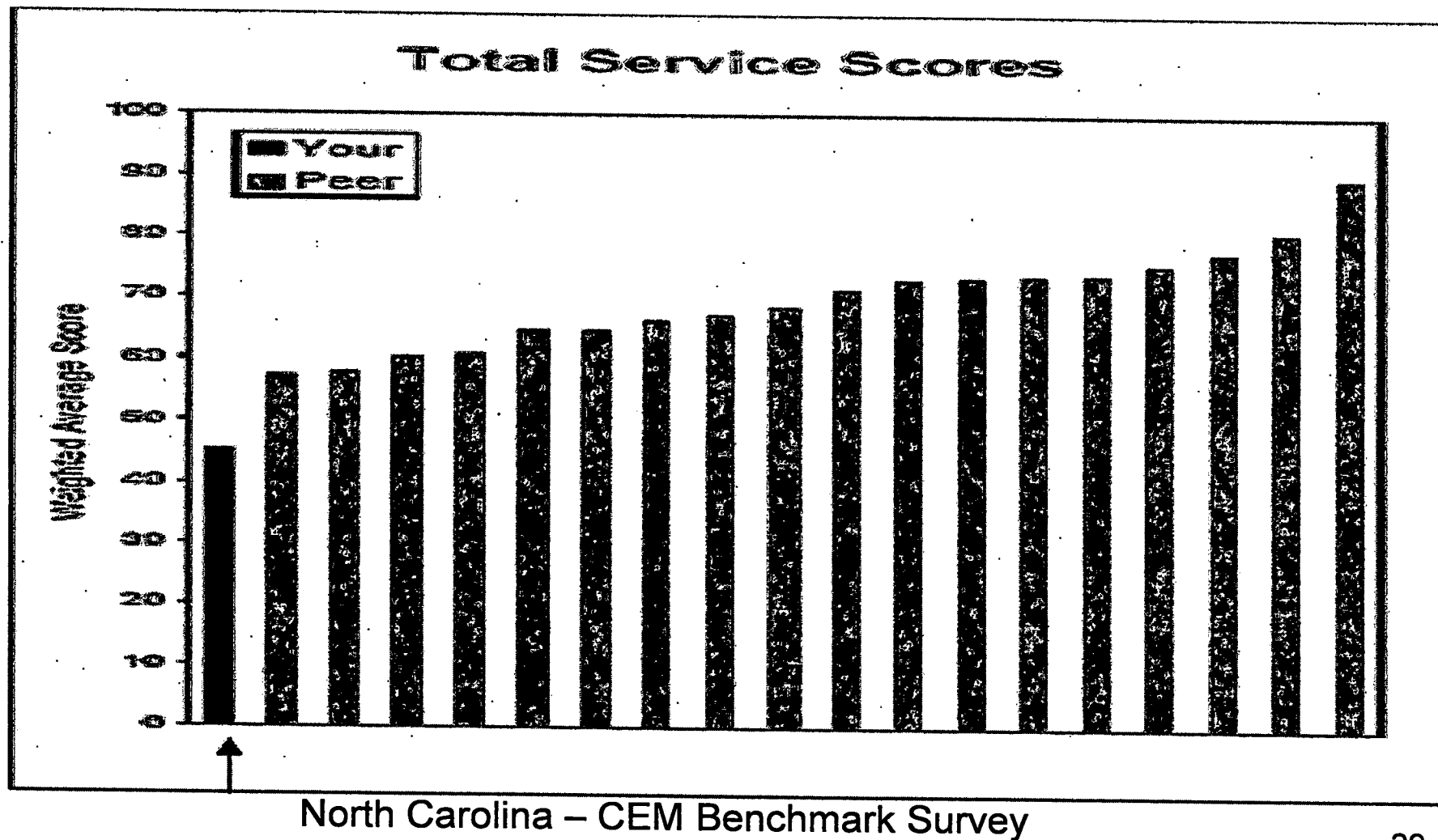
## House Pensions Committee Briefing

### Retirements Requested by Month

Retirements Requested By Month

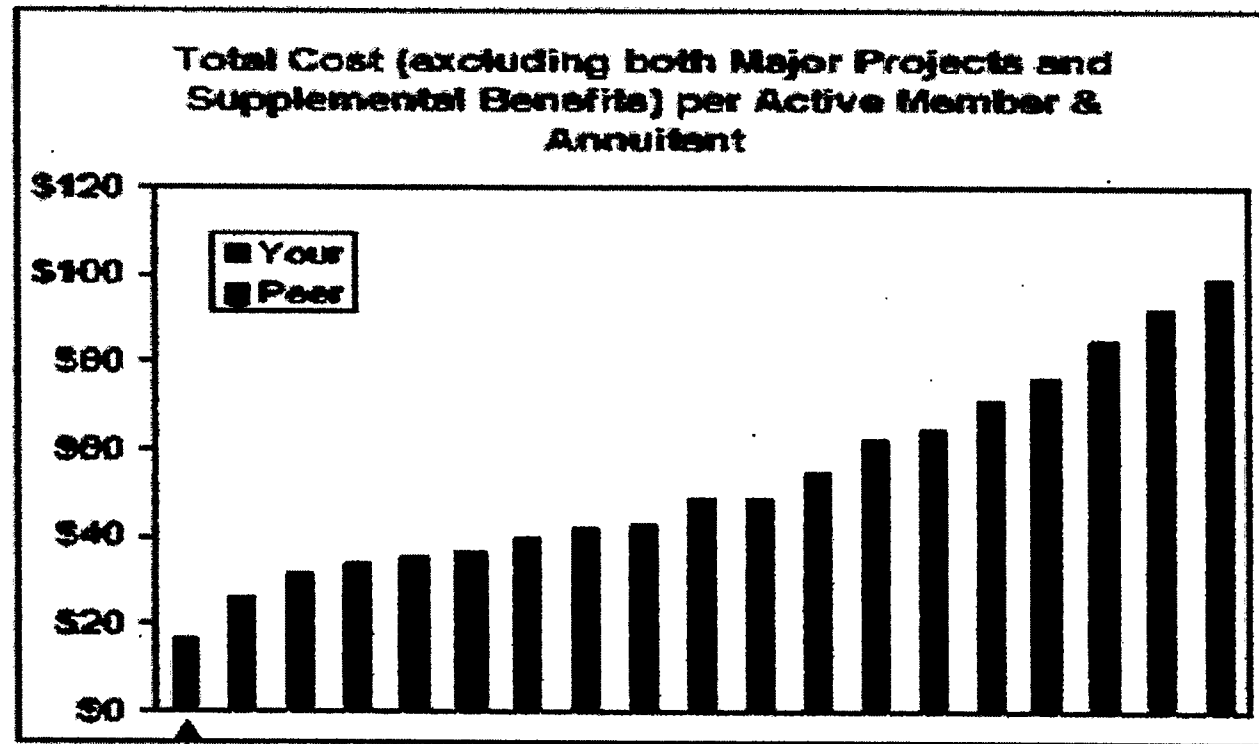


# Customer Service (2002)



# **Administrative Costs (2002)**

**Your Total Cost of \$16 per active member and annuitant is the lowest of all participants and is 1/3 of the \$49 peer median cost.**



North Carolina – CEM Benchmark Survey

## **NC RETIREMENT SYSTEMS DIVISION**

### ***House Pensions Committee Briefing***

<b>Retirement System</b>	<b>Total System Membership</b>	<b>Total Employees</b>	<b>Members Served /Employee</b>
PA State Emp. Ret. Syst.	264,000	221	1,195
MO State Emp. Ret. System	79,147	59	1,341
Ret. Syst. Of Alabama	292,594	168	1,742
OH Pub. Emp. Ret. Syst.	810,166	474	1,709
Pub. Emp. Ret. Syst. Of Idaho	112,111	59	1,900
CO Pub. Emp. Ret. Assoc.	375,266	165	2,274
WA State Dept of Ret. Systems	567,192	218	2,602
Virginia Ret. Systems	555,895	203	2,738
KA Pub. Emp. Ret. Syst.	250,145	73	3,427
TN Consolidated Ret. Syst.	205,000	59	3,475
Michigan Office of Ret. Services	602,637	158	3,814
NC Retirement Systems	781,350	163	4,794

**NC peer system employee to member ratio averages 1:2,383**

**NC employee to member ratio is 1:4,794**

*(Data as of Feb-06)*

# **What Have We Been Doing About It?**

- Improving our business processes
- Requesting additional resources
- Upgrading information technology



Online  
Retirement  
Benefits through  
Integrated  
Technology



North Carolina Retirement Systems

## **Web Access for Active Employees**

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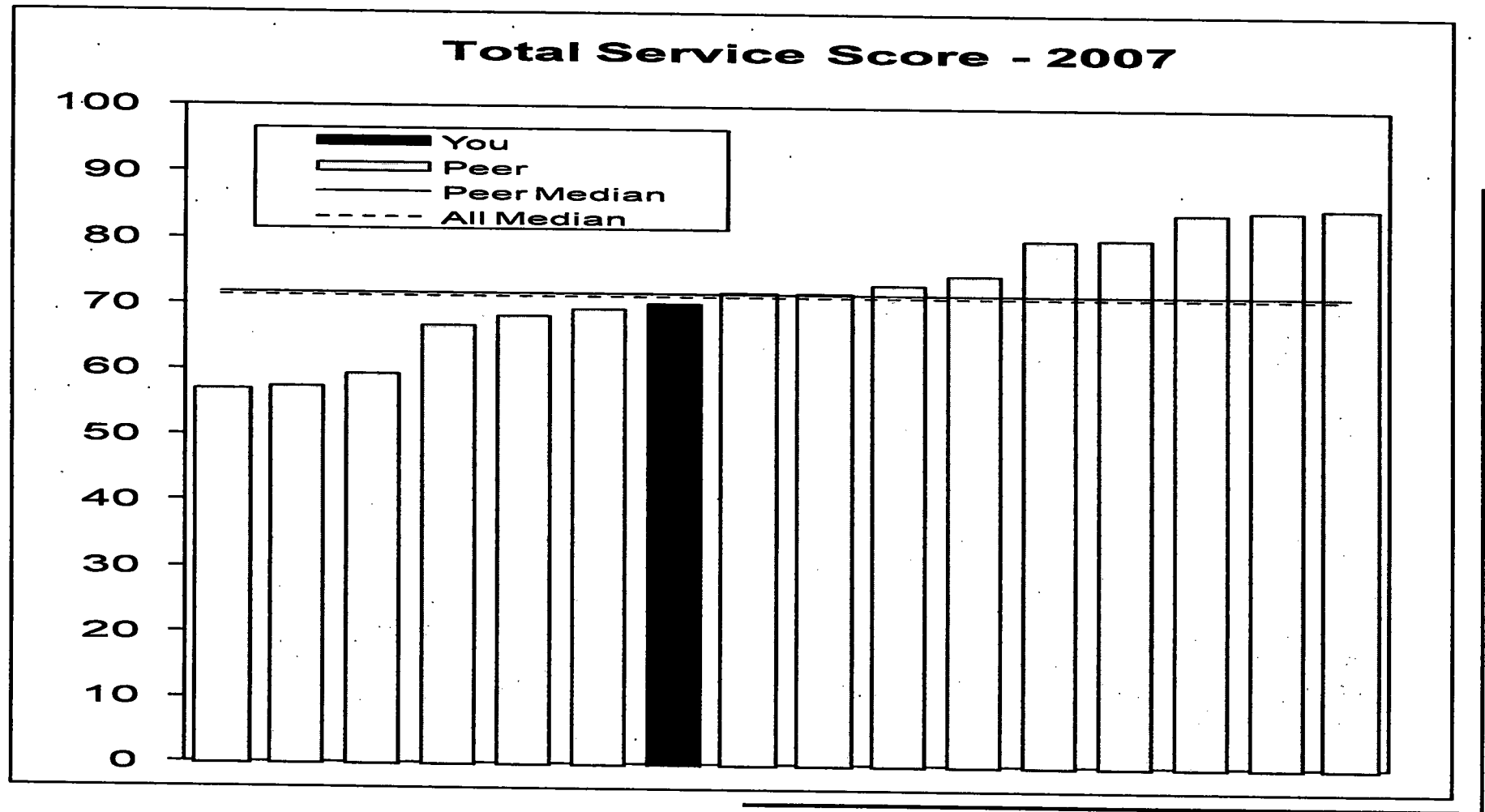


# **NC RETIREMENT SYSTEMS DIVISION**

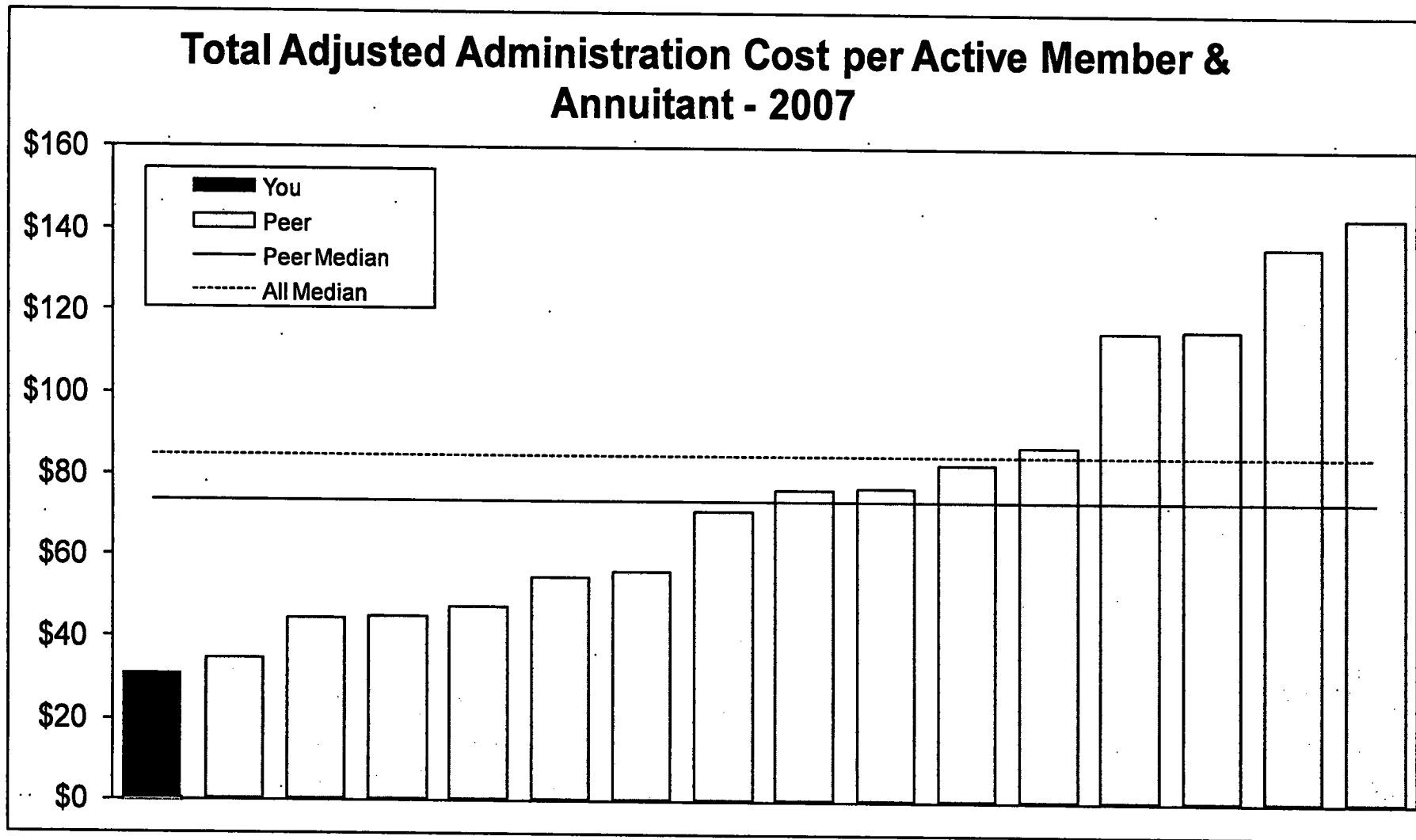
## ***House Pensions Committee Briefing***

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**Our service score is 70; Peer median score is 72.**



**NC RETIREMENT SYSTEMS DIVISION**  
***House Pensions Committee Briefing***



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# Upcoming Issues

- Ongoing Funding of the Retirement System
- Return to Work Policy
- Work Force Changes

## **NC RETIREMENT SYSTEMS DIVISION**

### ***House Pensions Committee Briefing***

## **HOW TO CONTACT THE RETIREMENT DIVISION**

- **Website:** [www.nctreasurer.com](http://www.nctreasurer.com)
- **Retirees call:** Toll free: 1-877-733-4191, or  
Local (919) 733-4191
- **Active Employees call:** Toll free 1-877-627-3287, or  
Local (919) 807-3050
- **E-mail:** [nc.retirement@treasurer.state.nc.us](mailto:nc.retirement@treasurer.state.nc.us)
- **Fax:** (919) 508-5350
- **Mail:** Retirement Systems Division  
Department of State Treasurer  
Albemarle Building  
325 North Salisbury Street  
Raleigh, NC 27603-1385
- **Retirement Director:** Michael Williamson, 508-5303
- **Constituent Concerns:** Anthony Solari, 807-4994
- **Legislator's Personal Retirement:**  
Don Perry, Research and Planning Officer, 508-5304

# Questions & Answers



House District 4  
Representative Russell E. Tucker

NC Retirement Systems Membership within District

Active Employees

Count	3,570
Annual Salaries	\$ 120,298,059

Retirees and Beneficiaries

Count	1,773
Annual Benefits	\$ 28,474,757

Inactives (Dormant Accounts)

Count	1,367
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**Total Membership**

<b>6,710</b>
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NC Department of State Treasurer  
Data as of October, 2008



## GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2009

H

1

## HOUSE BILL 5

Short Title: Increase Fire and Rescue Benefits.

(Public)

Sponsors: Representatives Howard, Williams, Randleman, Brubaker (Primary Sponsors); Burr, Burris-Floyd, Dockham, Frye, Grady, Gulley, Harrell, Holloway, Justus, McLawhorn, Moore, Neumann, Setzer, Spear, Steen, Tarleton, West, and Wray.

Referred to: Rules, Calendar, and Operations of the House.

January 29, 2009

## A BILL TO BE ENTITLED

AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-86-55 reads as rewritten:

"§ 58-86-55. Monthly pensions upon retirement.

Any member who has served 20 years as an "eligible fireman" or "eligible rescue squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and G.S. 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly pension from this fund. The monthly pension shall be in the amount of ~~one hundred seventy dollars (\$170.00)~~ one hundred seventy-five dollars (\$175.00) per month. Any retired fireman receiving a pension shall, effective ~~July 1, 2008~~, July 1, 2009, receive a pension of ~~one hundred seventy dollars (\$170.00)~~ one hundred seventy-five dollars (\$175.00) per month.

Members shall pay ten dollars (\$10.00) per month as required by G.S. 58-86-35 and G.S. 58-86-40 for a period of no longer than 20 years. No "eligible rescue squad member" shall receive a pension prior to July 1, 1983. No member shall be entitled to a pension hereunder until the member's official duties as a fireman or rescue squad worker for which the member is paid compensation shall have been terminated and the member shall have retired as such according to standards or rules fixed by the board of trustees.

A member who is totally and permanently disabled while in the discharge of the member's official duties as a result of bodily injuries sustained or as a result of extreme exercise or extreme activity experienced in the course and scope of those official duties and who leaves the fire or rescue squad service because of this disability shall be entitled to be paid from the fund a monthly benefit in an amount of ~~one hundred seventy dollars (\$170.00)~~ one hundred seventy-five dollars (\$175.00) per month beginning the first month after the member's fifty-fifth birthday. All applications for disability are subject to the approval of the board who may appoint physicians to examine and evaluate the disabled member prior to approval of the application, and annually thereafter. Any disabled member shall not be required to make the monthly payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.



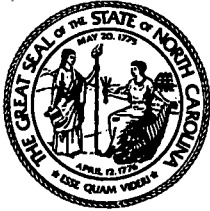
\* H 5 - V - 1 \*

1 A member who is totally and permanently disabled for any cause, other than line of duty,  
2 who leaves the fire or rescue squad service because of this disability and who has at least 10  
3 years of service with the pension fund, may be permitted to continue making a monthly  
4 contribution of ten dollars (\$10.00) to the fund until the member has made contributions for a  
5 total of 240 months. The member shall upon attaining the age of 55 years be entitled to receive  
6 a pension as provided by this section. All applications for disability are subject to the approval  
7 of the board who may appoint physicians to examine and evaluate the disabled member prior to  
8 approval of the application and annually thereafter.

9 A member who, because his residence is annexed by a city under Part 2 or Part 3 of Article  
10 4A of Chapter 160A of the General Statutes, or whose department is closed because of an  
11 annexation by a city under Part 2 or Part 3 of Article 4A of Chapter 160A of the General  
12 Statutes, or whose volunteer department is taken over by a city or county, and because of such  
13 annexation or takeover is unable to perform as a fireman or rescue squad worker of any status,  
14 and if the member has at least 10 years of service with the pension fund, may be permitted to  
15 continue making a monthly contribution of ten dollars (\$10.00) to the fund until the member  
16 has made contributions for a total of 240 months. The member upon attaining the age of 55  
17 years and completion of such contributions shall be entitled to receive a pension as provided by  
18 this section. Any application to make monthly contributions under this section shall be subject  
19 to a finding of eligibility by the Board of Trustees upon application of the member.

20 The pensions provided shall be in addition to all other pensions or benefits under any other  
21 statutes of the State of North Carolina or the United States, notwithstanding any exclusionary  
22 provisions of other pensions or retirement systems provided by law."

23 **SECTION 2.** This act becomes effective July 1, 2009.



## HOUSE BILL 5: Increase Fire and Rescue Benefits

2009-2010 General Assembly

**Committee:** House Pensions and Retirement, if favorable, **Date:** March 3, 2009  
Appropriations  
**Introduced by:** Reps. Howard, Williams, Randleman, **Prepared by:** Theresa Matula  
Brubaker Committee Staff  
**Analysis of:** PCS to First Edition  
H5-CSLL-2

**SUMMARY:** *The Proposed Committee Substitute for House Bill 5 increases the benefit paid to retirees of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund from \$170.00 to \$172.00 per month. The PCS changes the amount of the increase.*

### BILL ANALYSIS:

Chapter 58, Article 86 of the General Statutes pertains to the North Carolina Firemen's and Rescue Squad Workers' Pension Fund.

Section 1 of the PCS for House Bill 5 amends G.S. 58-86-55 to increase the pension paid to a retired "eligible fireman" or "eligible rescue squad" worker from \$170.00 to \$172.00 per month. The bill also makes a conforming change to increase from \$170.00 to \$172.00 the monthly benefit paid to members who become totally and permanently disabled in the line of duty. The contribution amount of ten dollars (\$10.00) paid per month by members for a period of no longer than 20 years remains unchanged.

This bill would become effective July 1, 2009.

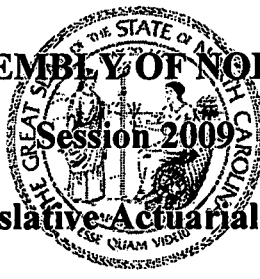
### BACKGROUND:

#### Recent Increases in the Fire and Rescue Pension

Year	Monthly Pension	Increase Over Previous Year
1997	\$141	\$6/month
1998	\$146	\$5/month
2000	\$151	\$5/month
2002	\$156	\$5/month
2003	\$158	\$2/month
2004	\$161	\$3/month
2005	\$163	\$2/month
2006	\$165	\$2/month
2007	\$167	\$2/month
2008	\$170	\$3/month
2009	\$172 proposed	\$2/month proposed

H5-SMSH-14(CSLL-2) v2

# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 5 (Proposed Committee Substitute)

**SHORT TITLE:** Increase Fire and Rescue Benefits.

---

**FUNDS AFFECTED:** General Fund

**SYSTEM OR PROGRAM AFFECTED:** Firemen and Rescue Squad Workers' Pension Fund

**EFFECTIVE DATE:** July 1, 2009

**BILL SUMMARY:** Increases the monthly benefit for retirees and future retirees of the Firemen and Rescue Squad Workers' Pension Fund from \$170 to \$172.

**ESTIMATED IMPACT ON STATE:** Both the Fund's actuary, Buck Consultants and the General Assembly's actuary, Hartman & Associates, LLC, estimates the cost to be as follows:

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
\$2 Benefit Increase	\$708,400	\$708,400	\$708,400	\$708,400	\$708,400

#### ASSUMPTIONS AND METHODOLOGY:

##### Firemen and Rescue Squad Workers' Pension Fund

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the June 30, 2008 actuarial valuation of the fund. The data included 36,160 active members, 10,509 retired members in receipt of annual pensions totaling \$21.4 million and actuarial value of assets equal to \$317 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1974 George B. Buck Mortality Table for deaths after retirement and (c) rates of separation from active service based on Fund experience. The actuarial cost method used was the entry age method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** System Actuary – Buck Consultants  
General Assembly Actuary - Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910. The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**PREPARED BY:** Stanley Moore *Stanley Moore*

**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division *Marilyn Chism*

**DATE:** February 24, 2009

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

D

HOUSE BILL 5  
PROPOSED COMMITTEE SUBSTITUTE H5-PCS40049-LL-2

Short Title: Increase Fire and Rescue Benefits.

(Public)

Sponsors:

Referred to:

January 29, 2009

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SECTION 1. G.S. 58-86-55 reads as rewritten:

"§ 58-86-55. Monthly pensions upon retirement.

Any member who has served 20 years as an "eligible fireman" or "eligible rescue squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and G.S. 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly pension from this fund. The monthly pension shall be in the amount of ~~one hundred seventy dollars (\$170.00)~~ one hundred seventy-two dollars (\$172.00) per month. Any retired fireman receiving a pension shall, effective ~~July 1, 2008,~~ July 1, 2009, receive a pension of ~~one hundred seventy dollars (\$170.00)~~ one hundred seventy-two dollars (\$172.00) per month.

Members shall pay ten dollars (\$10.00) per month as required by G.S. 58-86-35 and G.S. 58-86-40 for a period of no longer than 20 years. No "eligible rescue squad member" shall receive a pension prior to July 1, 1983. No member shall be entitled to a pension hereunder until the member's official duties as a fireman or rescue squad worker for which the member is paid compensation shall have been terminated and the member shall have retired as such according to standards or rules fixed by the board of trustees.

A member who is totally and permanently disabled while in the discharge of the member's official duties as a result of bodily injuries sustained or as a result of extreme exercise or extreme activity experienced in the course and scope of those official duties and who leaves the fire or rescue squad service because of this disability shall be entitled to be paid from the fund a monthly benefit in an amount of ~~one hundred seventy dollars (\$170.00)~~ one hundred seventy-two dollars (\$172.00) per month beginning the first month after the member's fifty-fifth birthday. All applications for disability are subject to the approval of the board who may appoint physicians to examine and evaluate the disabled member prior to approval of the application, and annually thereafter. Any disabled member shall not be required to make the monthly payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

A member who is totally and permanently disabled for any cause, other than line of duty, who leaves the fire or rescue squad service because of this disability and who has at least 10 years of service with the pension fund, may be permitted to continue making a monthly contribution of ten dollars (\$10.00) to the fund until the member has made contributions for a total of 240 months. The member shall upon attaining the age of 55 years be entitled to receive



\* H 5 - P C S 4 0 0 4 9 - L L - 2 \*

1 a pension as provided by this section. All applications for disability are subject to the approval  
2 of the board who may appoint physicians to examine and evaluate the disabled member prior to  
3 approval of the application and annually thereafter.

4 A member who, because his residence is annexed by a city under Part 2 or Part 3 of Article  
5 4A of Chapter 160A of the General Statutes, or whose department is closed because of an  
6 annexation by a city under Part 2 or Part 3 of Article 4A of Chapter 160A of the General  
7 Statutes, or whose volunteer department is taken over by a city or county, and because of such  
8 annexation or takeover is unable to perform as a fireman or rescue squad worker of any status,  
9 and if the member has at least 10 years of service with the pension fund, may be permitted to  
10 continue making a monthly contribution of ten dollars (\$10.00) to the fund until the member  
11 has made contributions for a total of 240 months. The member upon attaining the age of 55  
12 years and completion of such contributions shall be entitled to receive a pension as provided by  
13 this section. Any application to make monthly contributions under this section shall be subject  
14 to a finding of eligibility by the Board of Trustees upon application of the member.

15 The pensions provided shall be in addition to all other pensions or benefits under any other  
16 statutes of the State of North Carolina or the United States, notwithstanding any exclusionary  
17 provisions of other pensions or retirement systems provided by law."

18 **SECTION 2.** This act becomes effective July 1, 2009

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☐ Committee Substitute for

**HB 5** A BILL TO BE ENTITLED AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

☒ With a favorable report as to the committee substitute bill, unfavorable as to the original bill, and recommendation that the committee substitute bill be re-referred to the Committee on APPROPRIATIONS.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.



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HOUSE PRINCIPAL CLERK

## A BILL TO BE ENTITLED

AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

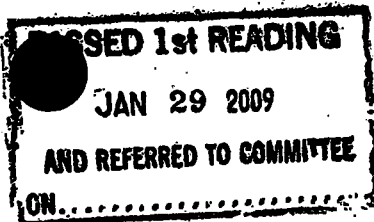
Introduced by Representative Howard.

Arthur W. Williams  
William B. Randleman  
Benedict (PRIMARY SPONSORS)

TARleton Howard Gray ES F. Steen  
Holloway Burris Floyd ES West  
Dockham The Lawhorn

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

Principal Clerk's Use Only



CALENDAR AND OPERATIONS OF THE HOUSE

ON MOTION OF	<u>Quilley</u>
REP	WITHDRAWN FROM
	<u>Rules</u>
FEB 12 2009	
RECOMMITTED TO COMMITTEE	
ON:	<u>Plns &amp; Act of Law</u>

Appropriation

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

1

## HOUSE BILL 94

Short Title: Clarify Definition of Retirement.

(Public)

Sponsors: Representatives Owens, Insko (Primary Sponsors); Coates, Lewis, and Lucas.

Referred to: Rules, Calendar, and Operations of the House.

February 10, 2009

## A BILL TO BE ENTITLED

AN ACT TO AMEND THE DEFINITION OF RETIREMENT TO CLARIFY THAT  
SERVICE AS AN UNPAID VOLUNTEER IN A LOCAL SCHOOL ADMINISTRATIVE  
UNIT IS NOT CONSIDERED SERVICE FOR THE PURPOSE OF THAT DEFINITION.

The General Assembly of North Carolina enacts:

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

"(20) "Retirement" means the termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service. A retirement allowance under the provisions of this Chapter may only be granted upon retirement of a member. In order for a member's retirement to become effective in any month, the member must render no service, including part-time, temporary, substitute, or contractor service, at any time during the six months immediately following the effective date of retirement. For purposes of this subdivision, service as a member of a school board or as an unpaid volunteer in a local school administrative unit shall not be considered service."

SECTION 2. This act is effective when it becomes law.



\* H 9 4 - V - 1 \*



## HOUSE BILL 94: Clarify Definition of Retirement

2009-2010 General Assembly

<b>Committee:</b>	House Pensions and Retirement	<b>Date:</b>	March 3, 2009
<b>Introduced by:</b>	Reps. Owens, Insko	<b>Prepared by:</b>	Karen Cochran-Brown
<b>Analysis of:</b>	First Edition		Committee Counsel

**SUMMARY:** *House Bill 94 amends the definition of the term "Retirement" to clarify that service as an unpaid volunteer in a public school is not considered service for purposes of the Teachers' and State Employees' Retirement System.*

### CURRENT LAW:

G.S. 135-1(20) contains the definition of "Retirement" which means termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service. The definition also specifies that a retirement allowance under the provisions of Chapter 135 may only be granted upon retirement of a member and that in order for a member's retirement to become effective in any month, the member must render no service, including part-time, temporary, substitute, or contractor service, at any time during the six (6) months immediately following the effective date of retirement.

G.S. 135-1(23) contains the definition of "Service" which means service as a teacher or State employee as described in definition of "employee" G.S. 135-1(10), or "teacher" G.S. 135-1(25).

In 2007, the law was amended to clarify that for the Teachers' and State Employees' Retirement System, service as a member of a school board is not considered service under the definition of retirement.

### BILL ANALYSIS:

House Bill 94 would amend the law to further clarify the definition of retirement. The bill proposes to add a provision stating that service as an unpaid volunteer in a local school administrative unit shall not be considered service that would prevent a member's retirement from becoming effective.

**EFFECTIVE DATE:** This act is effective when it becomes law.

H94-SMRO-6(e1) v1

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

D

HOUSE BILL 94  
PROPOSED COMMITTEE SUBSTITUTE H94-PCS50157-LL-5

Short Title: Clarify Definition of Retirement.

(Public)

Sponsors:

Referred to:

February 10, 2009

1 A BILL TO BE ENTITLED  
2 AN ACT TO AMEND THE DEFINITION OF RETIREMENT TO CLARIFY THAT  
3 SERVICE AS AN UNPAID VOLUNTEER IN A LOCAL SCHOOL ADMINISTRATIVE  
4 UNIT IS NOT CONSIDERED SERVICE FOR THE PURPOSE OF THAT DEFINITION.

5 The General Assembly of North Carolina enacts:

6 SECTION 1. G.S. 135-1(20) reads as rewritten:

7 "(20) "Retirement" means the termination of employment and the complete  
8 separation from active service with no intent or agreement, express or  
9 implied, to return to service. A retirement allowance under the provisions of  
10 this Chapter may only be granted upon retirement of a member. In order for  
11 a member's retirement to become effective in any month, the member must  
12 render no service, including part-time, temporary, substitute, or contractor  
13 service, at any time during the six months immediately following the  
14 effective date of retirement. For purposes of this subdivision, service as a  
15 member of a school board or as an unpaid bona fide volunteer in a local  
16 school administrative unit shall not be considered service."

17 SECTION 2. This act is effective when it becomes law.



\* H 9 4 - P C S 5 0 1 5 7 - S L L - 5 \*



**NORTH CAROLINA GENERAL ASSEMBLY**  
**Legislative Services Office**

George R. Hall, Legislative Services Officer

*Research Division*  
N. Salisbury Street, Suite 619  
Raleigh, NC 27603-5925  
Tel. 919-733-4910 Fax 919-715-3589

*Maribyn Chism*  
Director

March 2, 2009

**MEMORANDUM**

**TO:** Representatives Verla Insko and Bill Owens

**FROM:** Stanley Moore   
Fiscal Research Division

**SUBJECT:** Actuarial Note House Bill 94

**Re:** Clarify Definition of Retirement

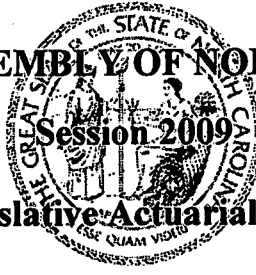
In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

**cc:** Rep. Russell Tucker  
House Principal Clerk

**Attachment(s):**

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates

# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 94 (First Edition)  
**SHORT TITLE:** Clarify Definition of Retirement.  
**SPONSOR(S):** Representatives Insko and Owens

---

**FUNDS AFFECTED:** General Fund, Highway Fund, and Receipt Funds

**SYSTEM OR PROGRAM AFFECTED:** Teachers' and State Employees' Retirement System.

**EFFECTIVE DATE:** When it becomes law

**BILL SUMMARY:** Amends the definition of "Retirement" to clarify that service as an unpaid volunteer in a local school administrative unit is not considered service for the purpose of retirement.

**ESTIMATED IMPACT:** Both the Retirement System Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, agree that there would be no cost as a result of the enactment of this bill.

#### ASSUMPTIONS AND METHODOLOGY:

##### Teachers' & State Employees' Retirement System

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2007 actuarial valuation of the fund. The data included 338,490 active members with an annual payroll of \$12.7 billion, 145,855 retired members in receipt of annual pensions totaling \$2.9 billion and actuarial value of assets equal to \$55.3 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) average salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables (tables are not adjusted for male teachers, set forward one year for female teachers, set forward two years for general employees and law enforcement officers and set forward two years for the beneficiaries of deceased member), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal cost method and a frozen liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** Buck Consultants  
Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION: (919) 733-4910.** The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**PREPARED BY:** Stanley Moore

**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division

**DATE:** March 2, 2009



**Signed Copy Located in the NCGA Principal Clerk's Offices**



February 16, 2009

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: House Bill 94**

Dear Mr. Vanderweide:

We have received your letter of February 12 regarding House Bill 94, which affects the Teachers' and State Employees' Retirement System (TSERS).

This legislation amends G.S. 135-1(20) and appears to clarify that service as an unpaid volunteer in a local school administrative unit shall not be considered service in the definition of retirement.

Since this bill is only codifying that service that was not previously treated as service under TSERS is not service under TSERS, this proposal will not increase the liabilities or contribution rates of TSERS.

If you have any questions or need additional assistance, please let us know.

Very truly yours,

Richard A. Mackesey, FSA, EA, MAAA  
Principal, Consulting Actuary

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# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

---

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038

668 Link Road

Fax: (336) 731-2583

Lexington, NC 27295

February 18, 2009

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: House Bill 94: An Act to Amend the Definition of Retirement under the TSERS to  
Exclude Service as an Unpaid Volunteer

Dear Mr. Moore:

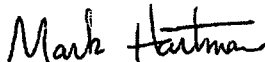
Currently, G.S. 135-1(20) defines retirement from the Teachers' and State Employees' Retirement System (TSERS) as the termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service. For retirement to be effective in any month, the member must render no service, including part-time, temporary, substitute, or contractor service, during the six months immediately following retirement.

This bill would clarify that service as an unpaid volunteer in a local school administrative unit will not be considered service under this provision. This act is effective when it becomes law.

This act is not expected to have a financial impact on the TSERS.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☐ Committee Substitute for

**HB 94** A BILL TO BE ENTITLED AN ACT TO AMEND THE DEFINITION OF RETIREMENT TO CLARIFY THAT SERVICE AS AN UNPAID VOLUNTEER IN A LOCAL SCHOOL ADMINISTRATIVE UNIT IS NOT CONSIDERED SERVICE FOR THE PURPOSE OF THAT DEFINITION.

☒ With a favorable report as to the committee substitute bill, unfavorable as to the original bill.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

0094

H.B. \_\_\_\_\_

SESSION LAW \_\_\_\_\_

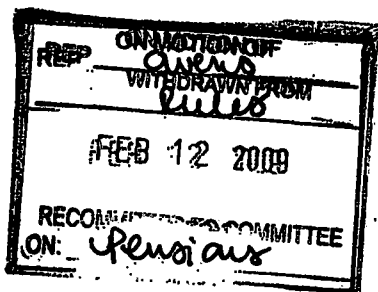
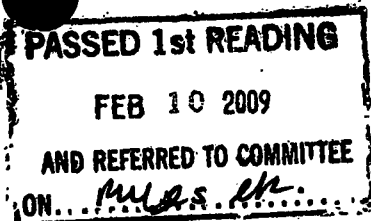
## A BILL TO BE ENTITLED

• AN ACT TO AMEND THE DEFINITION OF RETIREMENT TO CLARIFY THAT SERVICE AS AN UNPAID VOLUNTEER IN A LOCAL SCHOOL ADMINISTRATIVE UNIT IS NOT CONSIDERED SERVICE FOR THE PURPOSE OF THAT DEFINITION.

*W. Owens*  
Introduced by Representative(s): Owens and Insko (Primary Sponsors).

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\_\_\_\_\_  
For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

Principal Clerk's Use Only



## VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

Wednesday, March 4, 2009

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Michael Wilkerson	Retirement Systems D.V.S. on
David Vanderweide	Retirement Systems, DST
El Regan	NCRGEA
Ed Turlitz	Brooks Pierce
Jul Bone	Bone: Assoc.
Alie Gallana	NCEA
Don Perchard	JCC
Katherine Joyce	NCAASA
Emily Doyle	NCPAPA
Sheria Reid	IOG
Gulyn Hawthorne	PENIC

# VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

Wednesday, March 4, 2009

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK .

NAME

FIRM OR AGENCY AND ADDRESS

Mitch Leonard	SEANL
Joe MAYNARD	EMS
Patrice Reeder	NIAEL
Sam Camp	DPT
W. Army Simmons	NCL DPI
Dennis R. Anderson	PFFPNC
Paul O'Duin	PFFPNC
Marge Foreman	NCAE
Brian Senior	NCAE
A. Solari	TREAS-ER
David Starling	NCDST

House Pages

Pension & Retirement

Name Of Committee: \_\_\_\_\_ Date: 3/4/09

1. Name: Melissa Young

County: Caswell

Sponsor: Bill Faison

2. Name: Van Johnson

County: Chowan

Sponsor: Spear

3. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

4. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

5. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

Sgt-At-Arms

1. Name: Reggie Sills

2. Name: Michael Martin

3. Name: Dusty Rhodes

4. Name: \_\_\_\_\_



North Carolina General Assembly  
**House Committee on Pensions & Retirement**

**MINUTES**

~

Wednesday, March 18, 2009

The House Committee on Pensions and Retirement met Wednesday, March 18, 2009 at 10:00 a.m. in Room 415 of the Legislative Office Building. The following members were present: Representative Tucker, Chair, Representatives Bell, Folwell, Hurley and McGee, Vice Chairs, Representatives McLawhorn, Ross and Tolson. Fourteen visitors attended and a visitor's registration sheet is attached as part of these minutes.

The meeting was called to order by Representative Tucker, Chair. He asked the pages to introduce themselves. They were Najiyah Phipps and Deshawn Henry Adams, from Guilford County and their sponsor was Representative Wiley. The Chair also recognized Sergeant-at-Arms Reggie Sills, Dusty Rhodes, John Brandon and Michael Martin.

Representative Tucker, Chair recognized Representative Folwell to present **HB 556 AN ACT TO ENACT THE TREASURER'S GOVERNANCE AND TRANSPARENCY ACT OF 2009. (Attachment #1)**. Representative Folwell explained the bill. He stated this bill that came from the newly elected Treasurer which adds two members to the Investment Advisory Committee. Representative Tolson moved to give the bill a favorable report and re-refer to Committee on Finance. Motion carried.

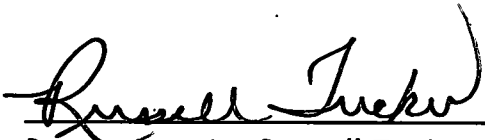
The Chair asked Representative McGee, Vice Chair to preside while he stepped down to present two of his bills. The first bill being **HB 429 AN ACT TO ADDRESS COST-OF-LIVING ADJUSTMENTS FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT SYSTEM, AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM. (Attachment #2)**. A PCS was presented and Representative Tolson moved to accept the PCS for consideration. Motion carried. Representative Tucker explained the bill. He said this bill was brought to him by

the Retirement System as their recommendation from their board. He asked Staff to comment. Representative McLawhorn moved to give the PCS a favorable report, unfavorable to the original and be re-referred to the Committee on Appropriations. Motion carried.

The second bill presented by Representative Tucker was **HB 549 AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND AND TO APPROPRIATE FUNDS TO REPAY THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND IN FULL AND TO FULLY FUND THE ANNUAL REQUIRED CONTRIBUTION. (Attachment #3).** Representative Tucker explained the bill stating it was a recommendation directly from the board to increase benefits paid to retirees of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund from \$170.00 to \$173.00 per month. Staff was called on to help explain. Representative Tolson moved for a favorable report and re-refer to Appropriations. Motion carried.

There being no further business, the Chair adjourned the meeting at 10:15 A.M.

Respectfully submitted,

  
Representative Russell Tucker, Chair

  
Sally Gillis, Committee Assistant



## **AMENDED MEETING NOTICE**

### **NORTH CAROLINA HOUSE OF REPRESENTATIVES COMMITTEE MEETING NOTICE AND BILL SPONSOR NOTIFICATION 2009-2010 SESSION**

You are hereby notified that the Committee on **Pensions and Retirement** will meet as follows:

**DAY & DATE:** Wednesday, March 18, 2009

**TIME:** 10:00 am

**LOCATION:** 415 LOB

**COMMENTS:** Bill Sponsor requested HB 345 be postponed.

**HB 549 will be added**

**HB 556 Also added to agenda**

The following bills will be considered:

**HB 429      RETIREMENT SYTEM COLAs**  
**Representatives Tucker**

**HB 549      INCREASE FIRE AND RESCUE PENSION**  
**Representative Tucker**

Respectfully,  
Representative Tucker, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at  
**11:00 a.m. on March 17, 2009.**

- ☒ Principal Clerk
- ☒ Reading Clerk – House Chamber

**Sally Gillis (Committee Assistant)**

**HOUSE COMMITTEE ON PENSIONS AND RETIREMENT**

**Wednesday, March 18, 2009**

**Room 415 LOB**

**10:00 A.M.**

**HB 429 RETIREMENT SYSTEM COLAs**  
**Representative Tucker**

**HB 549 INCREASE FIRE AND RESCUE PENSION**  
**Representative Tucker**

**HB 556 Treasurer's Governance & Transparency Act**  
**Representatives Folwell, McGee, Owens & Randleman**

**ADJOURNMENT**



GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

1

## HOUSE BILL 556

Short Title: Treasurer's Governance & Transparency Act. (Public)

Sponsors: Representatives Folwell, McGee, Owens, Randleman (Primary Sponsors);  
Brown, Faison, Justice, and Lewis.

Referred to: Pensions and Retirement, if favorable, Finance.

March 12, 2009

A BILL TO BE ENTITLED  
AN ACT TO ENACT THE TREASURER'S GOVERNANCE AND TRANSPARENCY ACT  
OF 2009.

The General Assembly of North Carolina enacts:

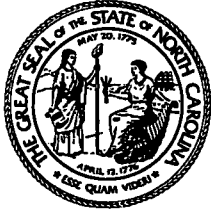
**SECTION 1.** G.S. 147-69.2(b1) reads as rewritten:

"(b1) With respect to investments authorized by subsections (b)(8) and (b)(9) of this section, the State Treasurer shall appoint an Investment Advisory Committee, which shall consist of ~~five~~ seven members: the State Treasurer, who shall be chairman ex officio; two members selected from among the members of the boards of trustees of the Retirement Systems; and ~~two~~ four members selected from the general public. ~~The two four public members must have experience in areas relevant to the administration of a large, diversified investment program, including but not limited to, one or more of the following areas: investment management, real estate investment trusts, real estate development, venture capital investment, or absolute return strategies.~~ investment management, securities law, real estate development, or absolute return strategies. The State Treasurer shall also appoint a Secretary of the Investment Advisory Committee who need not be a member of the committee. Members of the committee shall receive for their services the same per diem and allowances granted to members of the State boards and commissions generally. The committee shall have advisory powers only and membership shall not be deemed a public office within the meaning of Article VI, Section 9 of the Constitution of North Carolina or G.S. 128-1.1."

**SECTION 2.** This act is effective when it becomes law.



\* H 5 5 6 - V - 1 \*



# HOUSE BILL 556: Treasurer's Governance & Transparency Act

2009-2010 General Assembly

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<b>Committee:</b>	House Pensions and Retirement, if favorable, Finance	<b>Date:</b>	March 17, 2009
<b>Introduced by:</b>	Reps. Folwell, McGee, Owens, Randleman	<b>Prepared by:</b>	Karen Cochran-Brown
<b>Analysis of:</b>	First Edition		Committee Counsel

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**SUMMARY:** *House Bill 556 increased the membership of the Treasurer's Investment Advisory Committee from five to seven members. The bill also changes the experience requirements of the public members.*

[As introduced, this bill was identical to S632, as introduced by Sen. Nesbitt, which is currently in Senate Finance.]

## CURRENT LAW:

Under current law, The State Treasurer is authorized to invest the assets of the all of the State administered retirement systems. The law includes several limitations on the amount and types of investments that can be made with these funds.

The law also authorizes the State Treasurer to appoint an Investment Advisory Committee. The Committee consists of five members: The State Treasurer, two members from the board of trustees of the Retirement System, and two public members. The public members must have experience in one or more of the following areas: investment management, real estate investment trusts, real estate development, venture capital investment, or absolute return strategies. The committee has only advisory powers.

## BILL ANALYSIS:

House Bill 556 amends the law to increase the membership of the Investment Advisory Committee from five to seven members, with the two additional members to be appointed by the Treasurer as public members. The bill also changes the experience requirements for the public members by removing the requirement for experience in real estate investment trusts and venture capital investments, and substituting experience in securities law.

**EFFECTIVE DATE:** This act is effective when it becomes law.

H556-SMRO-9(e1) v1

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☐ Committee Substitute for

**HB 556** A BILL TO BE ENTITLED AN ACT TO ENACT THE TREASURER'S  
GOVERNANCE AND TRANSPARENCY ACT OF 2009.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on  
FINANCE.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ The bill/resolution is re-referred to the Committee on \_\_\_\_\_.

PUBLIC BILL

0556

H.B. \_\_\_\_\_

SESSION LAW \_\_\_\_\_

A BILL TO BE ENTITLED

AN ACT TO ENACT THE TREASURER'S GOVERNANCE AND TRANSPARENCY ACT OF 2009.

*John McGee*

Introduced by Representative(s): Folwell, McGee, Owens, and Randleman (Primary Sponsors).

*C. Justice* \_\_\_\_\_ *Lewis* \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

Principal Clerk's Use Only

READ 1st READING

MAR 12 2009

AND REFERRED TO COMMITTEE

ON ~~PERSONNEL~~

*Retirement, & Gov  
Finance*

Committee on ~~Personnel~~ *Retirement*  
being present, having considered  
recommend that it do ☒ pass,

*Rep. Russell Tucker*

~~Be the Committee~~

*re-referred to Committee on Finance*

REPORTED FAVORABLY MAR 18 2009

*referred to Finance*

ON MOTION OF

REP. *Owens*

WITHDRAWN FROM

*Finance*

APR 2 2009

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

**H****1**

**HOUSE BILL 429**

Short Title: Retirement System COLAs. (Public)

Sponsors: Representatives Tucker; Farmer-Butterfield and Hughes.

Referred to: Pensions and Retirement, if favorable, Appropriations.

March 5, 2009

1 A BILL TO BE ENTITLED  
2 AN ACT TO ADDRESS COST-OF-LIVING ADJUSTMENTS FOR RETIREES OF THE  
3 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL  
4 RETIREMENT SYSTEM, AND THE LOCAL GOVERNMENTAL EMPLOYEES'  
5 RETIREMENT SYSTEM.

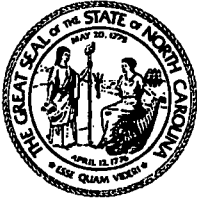
6 The General Assembly of North Carolina enacts:

7 SECTION 1. It is the intent of the General Assembly to provide cost-of-living  
8 adjustments to the benefits provided to members of the Teachers' and State Employees'  
9 Retirement System, the Consolidated Judicial Retirement System, and the Local Governmental  
10 Employees' Retirement System for the 2009-2010 fiscal year of the same percentage as those  
11 pay increases provided to State employees for the 2009-2010 fiscal year, not to exceed one  
12 percent (1.0%).

13 SECTION 2. This act becomes effective July 1, 2009.



\* H 4 2 9 - V - 1 \*



## HOUSE BILL 429: Retirement System COLAs

2009-2010 General Assembly

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<b>Committee:</b>	House Pensions and Retirement, if favorable, Appropriations	<b>Date:</b>	March 17, 2009
<b>Introduced by:</b>	Rep. Tucker	<b>Prepared by:</b>	Theresa Matula
<b>Analysis of:</b>	PCS to First Edition H429-CSSH-5		Committee Staff

---

**SUMMARY:** *The Proposed Committee Substitute for House Bill 429 states that it is the intent of the General Assembly to provide a cost-of living adjustment to the benefit paid to beneficiaries of the Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System for the 2009-2010 fiscal year that amounts to the same increase as the pay increase provided to State employees for the 2009-2010 fiscal year, not to exceed 1.0%.*

### BILL ANALYSIS:

The PCS for House Bill 429 provides that it is the intent of the General Assembly to provide a cost-of-living adjustment (COLA) to the benefits provided to members of the Teachers' and State Employees' Retirement System (TSERS) and the Consolidated Judicial Retirement System (CJRS) for the 2009-2010 fiscal year. The COLA shall be the same percentage as the pay increase provided to State employees for the 2009-2010 fiscal year, but shall not exceed one percent.

The PCS amends the original bill by changing the word "members" to "beneficiaries" and removes the Local Governmental Employees' Retirement System (LGERS) from the bill.

### EFFECTIVE DATE:

This bill would become effective July 1, 2009.

H429-SMSH-25(CSSH-5) v1





**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

**H**

**D**

**HOUSE BILL 429  
PROPOSED COMMITTEE SUBSTITUTE H429-PCS50243-SH-5**

Short Title: Retirement System COLAs.

(Public)

Sponsors:

Referred to:

March 5, 2009

A BILL TO BE ENTITLED

AN ACT TO ADDRESS COST-OF-LIVING ADJUSTMENTS FOR RETIREES OF THE  
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE  
CONSOLIDATED JUDICIAL RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

**SECTION 1.** It is the intent of the General Assembly to provide cost-of-living adjustments to the benefits provided to beneficiaries of the Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System for the 2009-2010 fiscal year of the same percentage as those pay increases provided to State employees for the 2009-2010 fiscal year, not to exceed one percent (1.0%).

**SECTION 2.** This act becomes effective July 1, 2009.



\* H 4 2 9 - P C S 5 0 2 4 3 - C S S H - 5 \*



**NORTH CAROLINA GENERAL ASSEMBLY**  
**Legislative Services Office**

George R. Hall, Legislative Services Officer

*ical Research Division*  
100 N. Salisbury Street, Suite 619  
Raleigh, NC 27603-5925  
Tel. 919-733-4910 Fax 919-715-3589

*Marilyn Chism*  
Director

March 17, 2009

**MEMORANDUM**

TO: Representative Russell Tucker

FROM: Stanley Moore *SM*  
Fiscal Research Division

SUBJECT: Actuarial Note for Proposed Committee Substitute for House Bill 429

Re: Retirement System COLAs

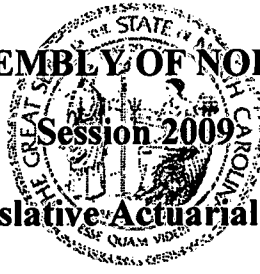
In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates

# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

### RETIREMENT

### REVISED

**BILL NUMBER:** House Bill 429 (Proposed Committee Substitute)

**SHORT TITLE:** Retirement System COLAs.

**SPONSOR(S):** Representative Tucker

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**FUNDS AFFECTED:** General Fund, Highway Fund, and Receipt Funds for the Teachers' and State Employees' Retirement System and General Fund for the Consolidated Judicial Retirement System.

**SYSTEM OR PROGRAM AFFECTED:** Teachers' and State Employees' Retirement System and Consolidated Judicial Retirement.

**EFFECTIVE DATE:** July 1, 2009

**BILL SUMMARY:** States the General Assembly's intent to provide for a cost-of-living adjustment to the benefits provided to retirees of the Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System for the 2009-2010 fiscal year that is the same percentage increase as those salary increases that are provided to state employees for the 2009-2010 fiscal year and provides that the increase is not to be more than 1%.

**ESTIMATED FISCAL IMPACT:** The estimated cost to grant a 1% COLA for Teachers' and State Employees' Retirement System and the amounts needed to be appropriated are as follows:

Retirement System Actuary: Buck Consultants estimates the cost to be 0.32% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
General Fund	\$32.6M	\$34.4M	\$36.3M	\$38.3M	\$40.4M
Highway Fund	\$1.5M	\$1.6M	\$1.7M	\$1.8M	\$1.9M
Receipt Funds	<u>\$12.5M</u>	<u>\$13.2M</u>	<u>\$13.9M</u>	<u>\$14.7M</u>	<u>\$15.5M</u>
<b>Total Cost</b>	<b>\$46.7M</b>	<b>\$49.2M</b>	<b>\$51.9M</b>	<b>\$54.8M</b>	<b>\$57.8M</b>

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.31% the payroll of all members of the Teachers' and State Employees' Retirement System.

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
General Fund	\$31.6M	\$33.3M	\$35.2M	\$37.1M	\$39.1M
Highway Fund	\$1.5M	\$1.5M	\$1.6M	\$1.7M	\$1.8M
Receipt Funds	<u>\$12.1M</u>	<u>\$12.8M</u>	<u>\$13.5M</u>	<u>\$14.2M</u>	<u>\$15.0M</u>
<b>Total Cost</b>	<b>\$45.2M</b>	<b>\$47.7M</b>	<b>\$50.3M</b>	<b>\$53.0M</b>	<b>\$55.9M</b>

**The estimated cost to grant a 1% COLA for the Consolidated Judicial Retirement System and the amount needed to be appropriated is as follows:**

Retirement System Actuary: Buck Consultants estimates the cost to be 0.52% of the payroll of all members of the Consolidated Judicial Retirement System.

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
General Fund	\$353,600	\$371,139	\$389,547	\$408,869	\$429,148

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.51% the payroll of all members of the Consolidated Judicial Retirement System.

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
General Fund	\$346,800	\$364,001	\$382,056	\$401,006	\$420,896

#### **ASSUMPTIONS AND METHODOLOGY:**

##### **Teachers' & State Employees' Retirement System**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2007 actuarial valuation of the fund. The data included 338,490 active members with an annual payroll of \$12.7 billion, 145,855 retired members in receipt of annual pensions totaling \$2.9 billion, and actuarial value of assets equal to \$55.3 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) average salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables (tables are not adjusted for male teachers, set forward one year for female teachers, set forward two years for general employees and law enforcement officers and set forward two years for the beneficiaries of deceased member), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal cost method and a frozen liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

##### **Consolidated Judicial Retirement System**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2007 actuarial valuation of the fund. The data included 548 active members with an annual payroll of \$61.3 million, 482 retired members in receipt of annual pensions totaling \$26 million, and actuarial value of assets equal to \$430.4 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables, (tables are set forward two years for post-retirement period and set back one year for pre-retirement period and special mortality tables are used for period after disability retirement), and (d) rates of separation from active service based on System experience. The actuarial cost method used to determine the liabilities is the projected unit credit. Projected benefits and the corresponding liabilities are

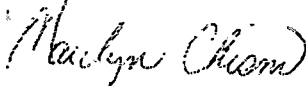
allocated based on proration by creditable service. The method used to determine the contribution rate is the projected unit credit method with a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** Buck Consultants  
Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910. The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**PREPARED BY:** Stanley Moore 

**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division 

**DATE:** March 17, 2009



February 3, 2009

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: Cost of Living Adjustment for State, Local and Judicial Retirement Systems**

Dear Mr. Vanderweide:

We have received Mr. Stanley Moore's request of January 29 regarding the cost associated with a cost of living adjustment for the Teachers' and State Employees' Retirement System, the Local Government Employees' Retirement System and the Consolidated Judicial Retirement System.

These requested costs are based on a post-retirement increase in the allowances of retirees and other beneficiaries of the respective systems equal to 1.0% for those who commenced retirement on or before July 1, 2008 and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 2008 and before June 30, 2009, with all increases payable effective July 1, 2009.

**Teachers' and State Employees' Retirement System**

Based on a nine-year liquidation period, the annual cost for this proposed change is 0.32% of payroll. Assuming that the contribution rate is increased 0.21% of payroll to cover the gap between the required contribution for the 2009 - 2010 fiscal year and the contribution rate for the 2008 - 2009 fiscal year, and based on the estimated state payrolls for the 2008 Session of the General Assembly, the cost of this proposed change for the 2009 - 2010 fiscal year is:

	Estimated State Payroll for Retirement Appropriations Purposes for the 2008 Session of the General Assembly	Estimated Increase in Contributions for 2009 - 2010 Fiscal Year
General Fund	\$ 9,754,000,000	\$ 31,212,800
Highway Fund	471,600,000	1,509,120
Receipts/Other Funds	3,509,780,000	11,231,296
Total	\$13,735,380,000	\$ 43,953,216

**Consolidated Judicial Retirement System**

Based on a nine-year liquidation period, the annual cost for this proposed change is 0.52% of payroll. Assuming that the contribution rate is increased 1.90% of payroll to cover the gap between the required contribution for the 2009 - 2010 fiscal year and the contribution rate for the 2008 - 2009 fiscal year, and based on the estimated state payrolls for the 2008 Session of the General Assembly, the cost of this proposed change for the 2009 - 2010 fiscal year is:

	Estimated State Payroll for Retirement Appropriations Purposes for the 2008 Session of the General Assembly	Estimated Increase in Contributions for 2009 - 2010 Fiscal Year
Consolidated Judicial	\$ 61,000,000	\$ 317,200

**Local Governmental Employees' Retirement System**

The annual cost for this proposed change is 0.17% of payroll. Assuming that none of the undistributed gains are used to cover the costs of this proposed change and based on the estimated state payrolls for the 2008 Session of the General Assembly, the cost of this proposed change for the 2009 - 2010 fiscal year is:

	Estimated State Payroll for Retirement Appropriations Purposes for the 2008 Session of the General Assembly	Estimated Increase in Contributions for 2009 - 2010 Fiscal Year
General Employees	\$ 4,100,000,000	\$ 6,970,000
Law Officers	865,000,000	1,470,500
Total	\$ 4,965,000,000	\$ 8,440,500

These estimates are based on the results of the December 31, 2007 valuations and do not reflect the asset experience that occurred during calendar year 2008. The asset experience that occurred during 2008 will result in an increase in the required contributions for the 2010 - 2011 fiscal year.

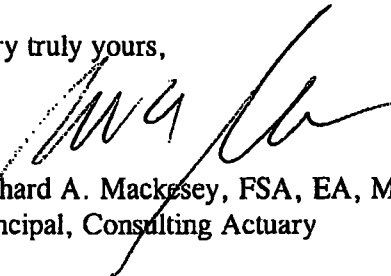




Mr. David Vanderweide  
February 3, 2009  
Page 3

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, FSA, EA, MAAA  
Principal, Consulting Actuary

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# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038  
Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

December 18, 2008

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: 1% COLA for Retirees in the TSERS, LGERS, and CJRS Systems

Dear Mr. Moore:

You have requested the cost of providing a 1.0% cost of living adjustment, effective July 1, 2009, for beneficiaries of the Teachers' and State Employees' Retirement System (TSERS), the Local Governmental Employees' Retirement System (LGERS), and the Consolidated Judicial Retirement System (CJRS). The specific benefit increases include a 1.0% increase the retirement allowance for all beneficiaries who retired on or before July 1, 2008, with a prorated increase for retirements between July 1, 2008 and June 30, 2009.

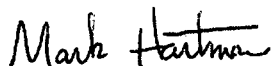
The estimated costs for a 1% COLA are shown below for each system. Costs are for the fiscal year beginning July 1, 2009 and are expressed as a percentage of payrolls.

System	Cost of 1% COLA	Amort. Period for Unfunded Liability
TSERS	0.31%	9 years
LGERS	0.16%	N/A
CJRS	0.51%	9 years

These estimates are based on the most recent actuarial valuations prepared as of December 31, 2007. Costs for COLA adjustments other than 1.0% would be proportionate to the above values.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☐ Committee Substitute for

**HB 429** A BILL TO BE ENTITLED AN ACT TO ADDRESS COST-OF-LIVING ADJUSTMENTS FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT SYSTEM, AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

☒ With a favorable report as to the ~~House~~ committee substitute bill, which changes the title, unfavorable as to the original bill, and recommendation that the ~~House~~ committee substitute bill be re-referred to the Committee on APPROPRIATIONS.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

0429

H.B. \_\_\_\_\_

SESSION LAW \_\_\_\_\_

## A BILL TO BE ENTITLED

AN ACT TO ADDRESS COST-OF-LIVING ADJUSTMENTS FOR RETIREES OF THE TEACHERS' AND  
STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT SYSTEM, AND THE  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

Introduced by Representative(s): Tucker

*R. Tucker; J. Farmer*

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

~~Principal Clerk's Use Only~~

SED 1st READING

MAR 5 2009

AND REFERRED TO COMMITTEE

ON *Pensions and**Retirement, & Gov.*  
APPROPRIATIONS

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

H

1

**HOUSE BILL 549**

Short Title: Increase Fire and Rescue Pension. (Public)

Sponsors: Representatives Tucker; Brown, Faison, Gulley, Hughes, McLawhorn, Spear, Starnes, Stewart, Tarleton, Wainwright, and E. Warren.

Referred to: Pensions and Retirement, if favorable, Appropriations.

March 12, 2009

1 A BILL TO BE ENTITLED  
2 AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE  
3 FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND AND TO  
4 APPROPRIATE FUNDS TO REPAY THE FIREMEN'S AND RESCUE SQUAD  
5 WORKERS' PENSION FUND IN FULL AND TO FULLY FUND THE ANNUAL  
6 REQUIRED CONTRIBUTION.

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.** G.S. 58-86-55 reads as rewritten:

9 **"§ 58-86-55. Monthly pensions upon retirement.**

10 Any member who has served 20 years as an "eligible fireman" or "eligible rescue squad  
11 worker" in the State of North Carolina, as provided in G.S. 58-86-25 and G.S. 58-86-30, and  
12 who has attained the age of 55 years is entitled to be paid a monthly pension from this fund.  
13 The monthly pension shall be in the amount of ~~one hundred seventy dollars (\$170.00)~~ one  
14 hundred seventy-three dollars (\$173.00) per month. Any retired fireman receiving a pension  
15 shall, effective ~~July 1, 2008~~, July 1, 2009, receive a pension of ~~one hundred seventy dollars~~  
16 ~~(\$170.00)~~ one hundred seventy-three dollars (\$173.00) per month.

17 Members shall pay ten dollars (\$10.00) per month as required by G.S. 58-86-35 and  
18 G.S. 58-86-40 for a period of no longer than 20 years. No "eligible rescue squad member" shall  
19 receive a pension prior to July 1, 1983. No member shall be entitled to a pension hereunder  
20 until the member's official duties as a fireman or rescue squad worker for which the member is  
21 paid compensation shall have been terminated and the member shall have retired as such  
22 according to standards or rules fixed by the board of trustees.

23 A member who is totally and permanently disabled while in the discharge of the member's  
24 official duties as a result of bodily injuries sustained or as a result of extreme exercise or  
25 extreme activity experienced in the course and scope of those official duties and who leaves the  
26 fire or rescue squad service because of this disability shall be entitled to be paid from the fund a  
27 monthly benefit in an amount of ~~one hundred seventy dollars (\$170.00)~~ one hundred  
28 seventy-three dollars (\$173.00) per month beginning the first month after the member's  
29 fifty-fifth birthday. All applications for disability are subject to the approval of the board who  
30 may appoint physicians to examine and evaluate the disabled member prior to approval of the  
31 application, and annually thereafter. Any disabled member shall not be required to make the  
32 monthly payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

33 A member who is totally and permanently disabled for any cause, other than line of duty,  
34 who leaves the fire or rescue squad service because of this disability and who has at least 10  
35 years of service with the pension fund, may be permitted to continue making a monthly  
36 contribution of ten dollars (\$10.00) to the fund until the member has made contributions for a



\* H 5 4 9 - V - 1 \*

1 total of 240 months. The member shall upon attaining the age of 55 years be entitled to receive  
2 a pension as provided by this section. All applications for disability are subject to the approval  
3 of the board who may appoint physicians to examine and evaluate the disabled member prior to  
4 approval of the application and annually thereafter.

5 A member who, because his residence is annexed by a city under Part 2 or Part 3 of Article  
6 4A of Chapter 160A of the General Statutes, or whose department is closed because of an  
7 annexation by a city under Part 2 or Part 3 of Article 4A of Chapter 160A of the General  
8 Statutes, or whose volunteer department is taken over by a city or county, and because of such  
9 annexation or takeover is unable to perform as a fireman or rescue squad worker of any status,  
10 and if the member has at least 10 years of service with the pension fund, may be permitted to  
11 continue making a monthly contribution of ten dollars (\$10.00) to the fund until the member  
12 has made contributions for a total of 240 months. The member upon attaining the age of 55  
13 years and completion of such contributions shall be entitled to receive a pension as provided by  
14 this section. Any application to make monthly contributions under this section shall be subject  
15 to a finding of eligibility by the Board of Trustees upon application of the member.

16 The pensions provided shall be in addition to all other pensions or benefits under any other  
17 statutes of the State of North Carolina or the United States, notwithstanding any exclusionary  
18 provisions of other pensions or retirement systems provided by law."

19 **SECTION 2.** There is appropriated from the General Fund to the Department of  
20 State Treasurer the sum of five hundred twenty-two thousand one hundred ninety-one dollars  
21 (\$522,191) for the 2009-2010 fiscal year to repay the Firemen's and Rescue Squad Workers'  
22 Pension Fund in full for funds not transferred to the Fund in 2001 with interest since 2001 at  
23 the valuation rate.

24 **SECTION 3.** There is appropriated from the General Fund to the Department of  
25 State Treasurer the sum of three hundred seventeen thousand dollars (\$317,000) for the  
26 2009-2010 fiscal year to provide the additional amount needed for the annual required  
27 contribution.

28 **SECTION 4.** This act becomes effective July 1, 2009.



## HOUSE BILL 549: Increase Fire and Rescue Pension

2009-2010 General Assembly

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<b>Committee:</b>	House Pensions and Retirement, if favorable, Appropriations	<b>Date:</b>	March 17, 2009
<b>Introduced by:</b>	Rep. Tucker	<b>Prepared by:</b>	Theresa Matula
<b>Analysis of:</b>	First Edition		Committee Staff

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**SUMMARY:** *House Bill 549 increases the benefit paid to retirees of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund from \$170.00 to \$173.00 per month.*

[As introduced, this bill was identical to S559, as introduced by Sen. Foriest, which is currently in Senate Ref to Pensions & Retirement & Aging. If fav, re-ref to Appropriations/Base Budget.]

### BILL ANALYSIS:

Chapter 58, Article 86 of the General Statutes pertains to the North Carolina Firemen's and Rescue Squad Workers' Pension Fund.

Section 1 of House Bill 549 amends G.S. 58-86-55 to increase the pension paid to a retired "eligible fireman" or "eligible rescue squad" worker from \$170.00 to \$173.00 per month. The bill also makes a conforming change to increase from \$170.00 to \$173.00 the monthly benefit paid to members who become totally and permanently disabled in the line of duty. The contribution amount of ten dollars (\$10.00) paid per month by members for a period of no longer than 20 years remains unchanged.

This bill would become effective July 1, 2009.

### BACKGROUND:

#### Recent Increases in the Fire and Rescue Pension

<i>Year</i>	<i>Monthly Pension</i>	<i>Increase Over Previous Year</i>
1997	\$141	\$6/month
1998	\$146	\$5/month
2000	\$151	\$5/month
2002	\$156	\$5/month
2003	\$158	\$2/month
2004	\$161	\$3/month
2005	\$163	\$2/month
2006	\$165	\$2/month
2007	\$167	\$2/month
2008	\$170	\$3/month
2009	\$173 <i>proposed</i>	\$3/month <i>proposed</i>

H549-SMSH-24(e1) v1



# NORTH CAROLINA GENERAL ASSEMBLY

## Legislative Services Office

George R. Hall, Legislative Services Officer

*scal Research Division*  
0 N. Salisbury Street, Suite 619  
Raleigh, NC 27603-5925  
Tel. 919-733-4910 Fax 919-715-3589

*Marilyn Chism*  
Director

March 16, 2009

### MEMORANDUM

TO: Representative Russell Tucker

FROM: Stanley Moore *SM*  
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 549

Re: Increase Benefits from the Firemen's and Rescue Squad Workers' Pension Fund

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

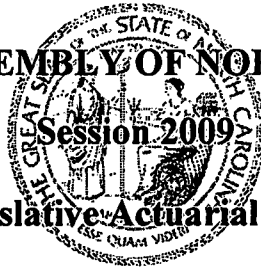
cc: House Principal Clerk

#### Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note. Hartman & Associates



# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 549 (First Edition)  
**SHORT TITLE:** Increase Fire and Rescue Pension.  
**SPONSOR(S):** Representative Tucker

---

**FUNDS AFFECTED:** General Fund

**SYSTEM OR PROGRAM AFFECTED:** Firemen and Rescue Squad Workers' Pension Fund

**EFFECTIVE DATE:** July 1, 2009

#### BILL SUMMARY:

- (1) Increases the monthly benefit for retirees and future retirees of the Firemen and Rescue Squad Workers' Pension Fund from \$170 to \$173.
- (2) Appropriates \$522,191 for 2009-10 from the General Fund to the Department of the State Treasurer to repay the Firemen's and Rescue Squad Workers' Pension Fund in full for funds not transferred to the Fund in 2001 with interest since 2001 at the valuation rate.
- (3) Appropriates \$317,000 for 2009-10 from the General Fund to the Department of the State Treasurer to provide the additional amount needed for the annual required contribution.

**ESTIMATED IMPACT ON STATE:** Both the Fund's actuary, Buck Consultants and the General Assembly's actuary, Hartman & Associates, LLC, estimates the cost to increase the benefit from \$170 per month to \$173 to be as follows:

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
\$3 Benefit Increase	\$1,062,609	\$1,062,609	\$1,062,609	\$1,062,609	\$1,062,609

The additional appropriations will be as follows:

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Repayment 2000-01	\$522,191	\$522,191	\$522,191	\$522,191	\$522,191
Required Contribution	\$317,863	\$317,863	\$317,863	\$317,863	\$317,863

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Total Recurring	\$1,380,472	\$1,380,472	\$1,380,472	\$1,380,472	\$1,380,472
Total Nonrecurring	\$522,191	\$522,191	\$522,191	\$522,191	\$522,191

**ASSUMPTIONS AND METHODOLOGY:****Firemen and Rescue Squad Workers' Pension Fund**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the June 30, 2008 actuarial valuation of the fund. The data included 36,160 active members, 10,509 retired members in receipt of annual pensions totaling \$21.4 million, and actuarial value of assets equal to \$317 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1974 George B. Buck Mortality Table for deaths after retirement and (c) rates of separation from active service based on Fund experience. The actuarial cost method used was the entry age method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** System Actuary – Buck Consultants  
General Assembly Actuary - Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910. The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**PREPARED BY:** Stanley Moore

**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division

**DATE:** March 15, 2009



**Signed Copy Located in the NCGA Principal Clerk's Offices**



February 3, 2009

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: Firemen's and Rescue Squad Workers' Pension Fund**

Dear Mr. Vanderweide:

We have received Mr. Stanley Moore's request of January 29 regarding enhancing the Firemen's and Rescue Squad Workers' Pension Fund's monthly retirement pensions from \$170 per month to \$171 per month for current and future retired members, effective July 1, 2009.

Under the assumption that \$9,756,581 is the budgeted annual contribution amount for the 2009 - 2010 fiscal year and assuming no repayment of the net pension obligation of \$522,191, the contribution will need to increase to \$10,074,444 (an increase of \$317,863) to cover the gap between the required contribution for the 2009 - 2010 fiscal year and the contribution for the 2008 - 2009 fiscal year. The following table shows the required annual contribution for an increase in Fund benefits of \$1 per month.

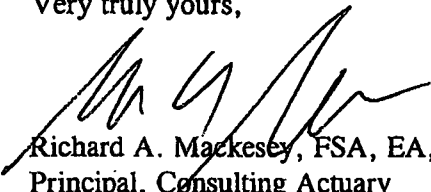
**ADDITIONAL ANNUAL CONTRIBUTIONS PAYABLE BY THE STATE  
TO INCREASE MONTHLY BENEFITS FROM \$170 TO \$171**

Additional contribution for proposed legislation:	
Normal	\$ 46,285
Accrued liability	307,918
Total	\$ 354,203
Increase in required contribution	\$ 317,863
Additional appropriation required	\$ 672,066

These estimates are based on the results of the June 30, 2008 valuations and do not reflect the asset experience that occurred during the second half of 2008. The asset experience that occurred during the second half of 2008 will result in an increase in the required contributions for the 2010 - 2011 fiscal year.

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, FSA, EA, MAAA  
Principal, Consulting Actuary

RAM:km  
WCICORV0202RM3.DOC

# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038  
Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

December 18, 2008

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: \$1 Increase in the Monthly Pension for Members of the FRSW

Dear Mr. Moore:

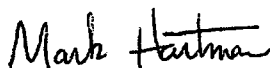
You have requested the cost of a \$1.00 increase in the monthly retirement benefit in the Firemen's and Rescue Squad Workers' Pension Fund (FRSW). Currently, the FRSW provides a retirement benefit of \$170 per month for current and future retirees. The increase would become effective July 1, 2009.

An increase in the retirement benefit amount will increase both the normal cost rate and the unfunded accrued liability. Based on a nine year amortization period for the additional accrued liabilities, the estimated cost for each \$1.00 increase in the benefit amount for the fiscal year beginning July 1, 2009, is \$353,621.

This estimate is based on the data contained in the most recent actuarial valuation prepared as of June 30, 2008. Costs for benefit adjustments other than \$1.00 would be proportionate to the above amount.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt



# NORTH CAROLINA GENERAL ASSEMBLY

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George R. Hall, Legislative Services Officer

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*Marilyn Chism*  
Director

March 16, 2009

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TO: Representative Russell Tucker

FROM: Stanley Moore *SM*  
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 549

Re: Increase Benefits from the Firemen's and Rescue Squad Workers' Pension Fund

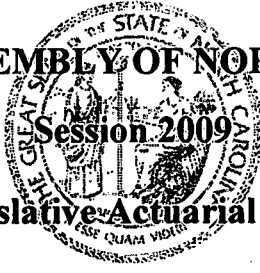
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cc: House Principal Clerk

#### Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
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# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative-Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 549 (First Edition)  
**SHORT TITLE:** Increase Fire and Rescue Pension.  
**SPONSOR(S):** Representative Tucker

---

**FUNDS AFFECTED:** General Fund

**SYSTEM OR PROGRAM AFFECTED:** Firemen and Rescue Squad Workers' Pension Fund

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**PREPARED BY:** Stanley Moore

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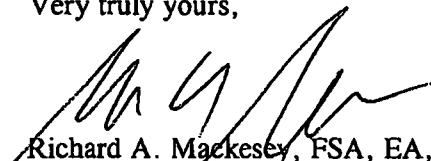
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RAM:km  
\\NC\COR\90202RM3.DOC

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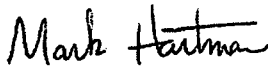
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Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☐ Committee Substitute for

**HB 549** A BILL TO BE ENTITLED AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND AND TO APPROPRIATE FUNDS TO REPAY THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND IN FULL AND TO FULLY FUND THE ANNUAL REQUIRED CONTRIBUTION.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on APPROPRIATIONS.

**(FOR JOURNAL USE ONLY)**

---

\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ The bill/resolution is re-referred to the Committee on \_\_\_\_\_.

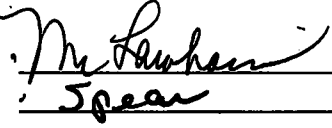
0549

SESSION LAW \_\_\_\_\_

**A BILL TO BE ENTITLED**

AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND AND TO APPROPRIATE FUNDS TO REPAY THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND IN FULL AND TO FULLY FUND THE ANNUAL REQUIRED CONTRIBUTION.

Introduced by Representative(s): Tucker.

  
5000

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

Principal Clerk's Use Only

SED 1st READING

MAR 12 2009

AND REFERRED TO COMMITTEE

ON 

APPROPRIATIONS

House Pages

Pentition & Retirement

Name Of Committee: \_\_\_\_\_

Date: \_\_\_\_\_

3/18/09

1. Name: Najiyah Phipps

County: Guilford

Sponsor: Rep Wiley

2. Name: Deshawn Henry-Adams

County: Guilford

Sponsor: Rep Wiley

3. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

4. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

5. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

Sgt-At-Arms

1. Name: Reggie Sills

2. Name: Dusty Rhodes

3. Name: John Brandon

4. Name: Michael Martin

5. Name: \_\_\_\_\_

# VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

March 18, 2008

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Patricia Buffi	NMR-S
Zeb Alley	"
Rep Shirley Randleman	NCGA
Marge Foman	NCAE
David Starling	NC Dept of State Treasurer
David Vanderweide	ND Dept of State Treasurer
Paul Meyer	NCLM
Suzanne Beasley Malysz	SEANC
Mitch Leonard	SEANC
DAVIDEL Batum	K+L GATES
Amy McConkey	Smith Anderson

# VISITOR REGISTRATION SHEET

## Pensions & Retirement

Name of Committee

3/18/09

Date \_\_\_\_\_

**VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK**

NAME \_\_\_\_\_

FIRM OR AGENCY AND ADDRESS

*[Handwritten signature]*

E. Reger

Bene & Asso.

NCPGEA

Dennis Patterson

OS A





North Carolina General Assembly  
**House Committee on Pensions & Retirement**

**MINUTES**

~

Wednesday, April 15, 2009

The House Committee on Pensions and Retirement met Wednesday, April 15, 2009 at 10:00 a.m. in Room 415 of the Legislative Office Building. The following members were present: Representative Tucker, Chair, Representatives Bell, Folwell, Holloway, Hurley and McGee, vice Chairs and Representatives Farmer-Butterfield, McLawhorn, Ross and Tolson. Twenty-six visitors attended and a visitor's registration sheet is attached as part of these minutes.

The Chair called the meeting to order and announced there were no Pages for the meeting. Reggie Sills, Michael Martin and Martha Gadison served as Sergeant-at-Arms.

Representative Tucker, Chair recognized Representative Underhill and Representative Cleveland to present **HB 345 - AN ACT TO PROVIDE EQUAL INCOME TAX TREATMENT OF GOVERNMENT RETIREES' BENEFITS.**

*(Attachment #1).* Representative Underhill explained the bill which amends the tax law to provide a full income tax exclusion for all North Carolina State, local or federal retirees. She called on Representative Cleveland to explain the handout "Investment in North Carolina's Future", *(Attachment #2)*. After questions and discussion, Representative Bell moved for a favorable report and re-refer to the committee on Finance. Motion carried.

Representative Folwell was recognized by the Chair to present **HB 862 - AN ACT TO ESTABLISH A SPECIAL COMMISSION TO STUDY RETIREMENT AND HEALTH BENEFITS FOR TEACHERS AND STATE EMPLOYEES.**

*(Attachment #3).* Representative Folwell explained the bill. Representative Ross moved for a favorable report and re-refer to Committee on Rules.

The Chair announced that HB 556 was pulled from the calendar awaiting further wording for a PCS.

The Chair called on Staff to present Representative Holliman's bill, HB 872 - AN ACT TO ESTABLISH A DEFERRED RETIREMENT OPTION PLAN FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND. (Attachment #4). Stanley Moore, Fiscal Research Staff explained the bill. The Chair recognized David Andrews with PFFPNC from Asheville who spoke in favor of the bill and Paul Miller with NCSFA who spoke against the bill. After questions and discussion, Representative Farmer-Butterfield moved to give the bill a favorable report and re-refer to the Committee on Finance. Motion carried.

There being no further business, the meeting adjourned at 10:40 a.m.

Respectfully submitted,

  
Representative Russell Tucker, Chair

  
Sally Gillis, Committee Assistant

**NORTH CAROLINA HOUSE OF REPRESENTATIVES  
COMMITTEE MEETING NOTICE  
AND  
BILL SPONSOR NOTIFICATION  
2009-2010 SESSION**

You are hereby notified that the Committee on **Pensions and Retirement** will meet as follows:

**DAY & DATE:**      **Wednesday, April 15, 2009**

**TIME:**              **10:00 A.M.**

**LOCATION:**         **Room 415 LOB**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

<u>Bill #</u>	<u>Short Title</u>	<u>Sponsor</u>
<b>HB 345</b>	<b>Equal Tax Treatment of Gov't Retiree Benefits</b>	<b>Representatives Underhill &amp; Cleveland</b>
<b>HB 556</b>	<b>Treasurer's Governance &amp; Transparency Act</b>	<b>Representatives Folwell, McGee, Owens &amp; Randleman</b>
<b>HB 862</b>	<b>Study Retirement and Health Benefits</b>	<b>Representatives Crawford &amp; Folwell</b>
<b>HB 872</b>	<b>Deferred Retirement Option/Fire And Rescue</b>	<b>Representative Holliman</b>

Respectfully,

Representative Russell Tucker  
Chairman

I hereby certify this notice was filed by the committee assistant at the following offices at **11:00 a.m. on April 13, 2009.**

\_\_\_\_ Principal Clerk  
\_\_\_\_ Reading Clerk - House Chamber

Sally Gillis, Committee Assistant

## **AGENDA**

### **HOUSE COMMITTEE ON PENSIONS AND RETIREMENT**

**Wednesday, April 15, 2009**

**Room 415 LOB**

**10:00 A.M.**

**HB 345      EQUAL TAX TREATMENT OF GOV'T RETIREE BENEFITS**  
**Representatives Underhill & Cleveland**

**HB 556      TREASURER'S GOVERNANCE & TRANSPARENCY ACT**  
**Representatives Folwell, McGee, Owens & Randleman**

**HB 862      STUDY RETIREMENT AND HEALTH BENEFITS**  
**Representatives Crawford & Folwell**

**HB 872      DEFERRED RETIREMENT OPTION/FIRE AND RESCUE**  
**Representative Holliman**

**ADJOURNMENT**

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

H

1

**HOUSE BILL 345**

Short Title: Equal Tax Treatment of Gov't Retiree Benefits. (Public)

Sponsors: Representatives Underhill, Cleveland, Glazier, Martin (Primary Sponsors);  
M. Alexander, Blackwood, Blust, Braxton, Cole, Dickson, Dollar, Faison,  
Goforth, Gulley, Holloway, Hurley, Killian, Samuelson, Tarleton, Tillis,  
Wainwright, West, Wiley, and Wilkins.

Referred to: Pensions and Retirement, if favorable, Finance.

March 2, 2009

A BILL TO BE ENTITLED  
AN ACT TO PROVIDE EQUAL INCOME TAX TREATMENT OF GOVERNMENT  
RETIREEES' BENEFITS.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 105-134.6(b) reads as rewritten:

"(b) Deductions. – The following deductions from taxable income shall be made in calculating North Carolina taxable income, to the extent each item is included in taxable income:

...

- (6) a. ~~An amount, not to exceed four thousand dollars (\$4,000), equal to the sum of the amount calculated in subparagraph b. plus the amount calculated in subparagraph c.~~
- b. ~~The amount calculated in this subparagraph is the amount received during the taxable year from one or more state, local, or federal government retirement plans.~~
- c. ~~The amount calculated in this subparagraph is the~~ The amount received during the taxable year from one or more retirement plans other than state, local, or federal government retirement plans, not to exceed a total of two thousand dollars (\$2,000) in any taxable year.
- d. ~~In year. In the case of a married couple filing a joint return where return, if both spouses received retirement benefits during the taxable year, the maximum dollar amounts provided in this subdivision for various types of retirement benefits apply~~ amount applies separately to each spouse's benefits.

(6a) The amount received during the taxable year under North Carolina State and local government retirement plans and under federal government retirement plans.

(6b) The greater of the following:

- a. The amount received during the taxable year under a state or local government retirement plan of a state other than North Carolina, to the extent that other state would not subject to individual income tax the equivalent amount received under a North Carolina State or local government retirement plan.



\* H 3 4 5 - V - 1 \*

b. Up to four thousand dollars (\$4,000) received during the taxable year under a state or local government retirement plan of a state other than North Carolina. In the case of a married couple filing a joint return, if both spouses received benefits from a retirement plan during the taxable year, the maximum dollar amount applies separately to each spouse's benefits."

**SECTION 2.** G.S. 105-134.1(13) reads as rewritten:

"(13) Retirement benefits. ~~Amounts paid to a former employee or the beneficiary of a former employee under a plan. - A~~ written retirement plan established by the employer to provide payments to an employee or the beneficiary of an employee after the end of the employee's employment with the employer where the right to receive the payments is based upon the employment relationship. With respect to a self-employed individual or the beneficiary of a self-employed individual, the term means ~~amounts paid to the individual or beneficiary of the individual under a~~ written retirement plan established by the individual to provide payments to the individual or the beneficiary of the individual after the end of the self-employment. In addition, the term includes ~~amounts received from an individual retirement account described in section 408 of the Code or from an individual retirement annuity described in section 408 of an~~ individual retirement plan as defined in the Code and any plan treated as an individual retirement plan under the Code. For the purpose of this subdivision, the term "employee" includes a volunteer worker."

**SECTION 3.** This act is effective for taxable years beginning on or after January 1,

2009.



## HOUSE BILL 345: Equal Tax Treatment of Gov't Retiree Benefits

2009-2010 General Assembly

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<b>Committee:</b>	House Pensions and Retirement, if favorable, Finance	<b>Date:</b>	April 14, 2009
<b>Introduced by:</b>	Reps. Underhill, Cleveland, Glazier, Martin	<b>Prepared by:</b>	Karen Cochrane-Brown
<b>Analysis of:</b>	First Edition		Committee Counsel

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**SUMMARY:** *House Bill 345 amends the Tax Law to provide a full income tax exclusion for all North Carolina State, local or federal retirees, regardless of their vesting status. The bill also provides deduction for governmental retirees from other states equal to the greater of the amount a North Carolina retiree would be allowed in the other state or \$4,000.*

[As introduced, this bill was identical to S233, as introduced by Sen. Hoyle, which is currently in Senate Finance.]

### CURRENT LAW:

Until 1989, North Carolina exempted from income tax 100% of the pensions of State and local government employees. Originally, both federal and private pensions had been fully taxable. In the years leading up to 1989, the General Assembly granted a tax exemption of a few thousand dollars to federal retirees; the 1989 law set the federal pension exemption at \$4,000.

In 1989, the United States Supreme Court held that the doctrine of intergovernmental tax immunities requires states to tax federal pensions the same way as state pensions. The 1989 General Assembly determined that the State could not afford to grant federal retirees the 100% tax exemption then allowed to State and local government retirees. Instead, it granted federal, State, and local retirees an exemption for \$4,000 of retirement income annually.

In 1998, the North Carolina Supreme Court rendered a decision in the Bailey case, ruling that State and local retirees who vested in the retirement system on or before August 1989, are entitled to a full income tax exemption of their government retirement income. It indirectly granted this same exemption to similarly situated federal retirees since a state must treat federal retirees in the same manner as State retirees. All other governmental retirees, such as those North Carolina and federal retirees who were not vested as of August 1989, and all retirees from other states are not affected by the Bailey decision.

The federal doctrine of intergovernmental tax immunities, which requires equal treatment of federal and state retirees, does not apply to private retirees. The equal protection clause does not prohibit differential tax treatment of private and public retirees as long as there is a rational basis for the distinction. The public service rendered by public retirees in the State supplies such a rational basis.

Currently, all state, local and federal retirees who vested after August 1989 receive a \$4000 deduction for retirement income, while private retirees receive a \$2000 deduction.

### BILL ANALYSIS:

House Bill 345 amends the law to do the following:

- Continue the \$2000.00 tax deduction for retirees from private plans.
- Grant a full exemption for all North Carolina governmental and federal retirees, regardless of when they became vested.

# House Bill 345

Page 2

- Provide a deduction for governmental retirees from other states equal to the greater of:
  - The amount that the other state would allow a retiree from a North Carolina governmental plan to deduct; or
  - Up to \$4000.00, if the other state would allow a lower deduction.

## **EFFECTIVE DATE:**

This act is effective for taxable years beginning on or after January 1, 2009.

*H345-SMRO-30(e1) v1*



**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☐ Committee Substitute for

**HB 345** A BILL TO BE ENTITLED AN ACT TO PROVIDE EQUAL INCOME TAX  
TREATMENT OF GOVERNMENT RETIREES' BENEFITS.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on  
FINANCE.

**(FOR JOURNAL USE ONLY)**

---

\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ The bill/resolution is re-referred to the Committee on \_\_\_\_\_.

0345

H.B. \_\_\_\_\_

SESSION LAW \_\_\_\_\_

**A BILL TO BE ENTITLED**

AN ACT TO PROVIDE EQUAL INCOME TAX TREATMENT OF GOVERNMENT RETIREES' BENEFITS.

Introduced by Representative(s): Underhill and Cleveland (Primary Sponsors), *Seay* - *MARTIN* (Primary Sponsors)  
*(Dickson)*  
*Quile*  
*Murley*  
*Dollar*  
*Underhill*  
*Seay*  
*Blackburn*  
*Samuelson*  
*Cole*  
*West*  
*Holloway*  
*Kilian*  
*Billey*  
*Braxton*

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

Principal Clerk's Use Only

*Blust*  
*TAR/ha*

PROCESSED 1st READING  
 MAR 9 2009  
 AND REFERRED TO COMMITTEE  
 ON PENSIONS AND

ement, if law  
 Finance

# **INVESTING IN NORTH CAROLINA'S FUTURE**

**THE POSITIVE ECONOMIC IMPACT  
OF EXTENDING THE BAILEY SETTLEMENT  
TO ALL GOVERNMENT RETIREES**

**NORTH CAROLINA CURRENTLY OPERATES UNDER A COURT SETTLEMENT THAT EXEMPTS CERTAIN MILITARY, FEDERAL, STATE, AND LOCAL GOVERNMENT RETIREES FROM PAYING NC STATE INCOME TAXES ON GOVERNMENT PENSION/ ANNUITY BENEFITS.**

**THE 4TH BRANCH, A COALITION REPRESENTING 300,000 RETIREES, INITIATED A STUDY THAT DETERMINED THE ECONOMIC BENEFITS TO THE STATE ARE SUFFICIENT TO OFFSET THE REVENUE LOSSES FROM THE INCOME TAX EXEMPTION.**

## **{ THIS RAISES THE QUESTION: }**

**Should NC invest in its future by exempting  
all military, federal, state, and local retirees  
from paying state income taxes?**

**If NC benefits from economic development and from  
state/local revenue offsets sufficient to more than cover  
these income tax revenues, then the pension income tax  
elimination is a viable alternative that deserves full sup-  
port as a state statute.**

**STUDIES HAVE SHOWN THAT THERE ARE A  
WIDE RANGE OF RETIREE BENEFITS  
TO STATES AND LOCALITIES.**

**RETIREES PROVIDE BENEFITS THROUGH  
PURCHASE OF GOODS AND SERVICES,  
EXTENSIVE ASSETS  
INCLUDING HOME OWNERSHIP, TAXES PAID,  
AND VOLUNTEER/CHARITABLE CONTRIBUTIONS.  
OVERALL, RETIREES COMPRISE AN IMPORTANT  
NON-SMOKESTACK ECONOMIC SECTOR  
RESISTANT TO ECONOMIC RECESSION.**



# THE BENEFITS OF RETIREES TO COMMUNITIES

## **{ The 12 groups of retiree benefits to NC }**

**1** Increase in local  
sales and sales taxes

**7** Increase in  
volunteer services

**2** Enhancement of local  
property tax base

**8** Increase in community  
supported services

**3** Increase in local  
capital pool

**9** Stimulation of the  
economic sectors

**4** Increase in  
community jobs

**10** Stimulation of additional  
in-migration

**5** Increase in incomes  
and expenditures

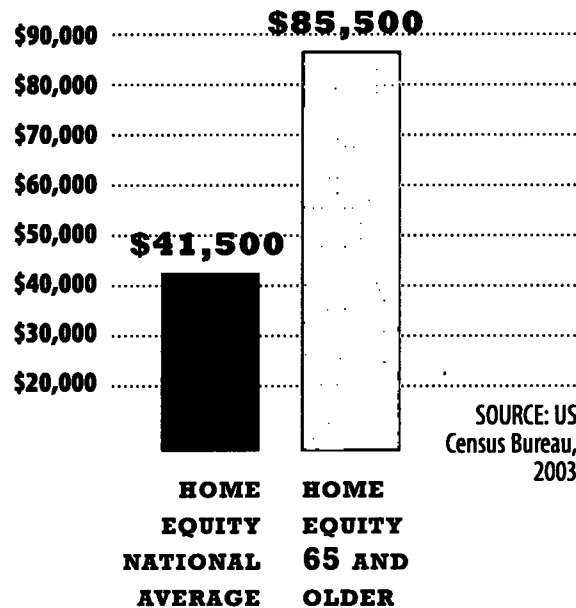
**11** Benefits relative to other  
economic development options

**6** Stabilization of  
business cycle

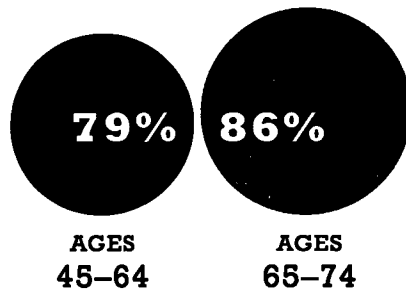
**12** Environmental  
friendly growth



### **National home equity in '02**



### **Rate of home ownership in NC by age group**



SOURCE: NC Dept. of Health and Human Services, 2007

### **Increase in Local & Sales Taxes**

**Nationally, senior homes average more equity and higher value than the average home.**

### **Increase in Local Capital Pool**

**Persons aged 50+ have the following financial asset features:**

#### **SAVINGS ACCOUNTS**

**that are 90% above the average**

#### **CHECKING ACCOUNTS**

**that are 50% above the average**

#### **SAVINGS BONDS**

**that are 50% above the average**

#### **OTHER SECURITIES**

**that are 50% greater than the average**

**MANY STATES BELIEVE THAT INCOME TAX INCENTIVES FOR RETIREES ARE AN IMPORTANT ECONOMIC DEVELOPMENT TOOL AND ACCORDINGLY HAVE LOWERED OR ELIMINATED THEIR INCOME TAXES.**

**RETIREE DECISIONS AS TO WHERE TO LOCATE ARE INFLUENCED BY NATURAL AMENITIES, WEATHER, FRIENDS/ RELATIVES, STATE TAXES, AND MANY OTHERS. STUDIES HAVE FOUND THAT STATE INCOME TAXES ARE ONE OF THE MOST IMPORTANT INFLUENCES OF LOCATION CHOICE.**

**HIGH INCOME AND WELL EDUCATED RETIREES, SUCH AS GOVERNMENT RETIREES, ARE MOST INFLUENCED BY LOWER STATE INCOME TAXES.**



RETIREEES ARE CONSIDERED BY MANY STATES  
TO BE AN ECONOMIC & FISCAL BONUS.

THEY EXPAND THE LOCAL ECONOMY WITH THEIR  
ABOVE AVERAGE INCOMES AND PROPERTY WEALTH  
BUT PLACE FEW DEMANDS ON PUBLIC SERVICES.

**A SIGNIFICANT STATISTICAL RELATIONSHIP  
EXISTS BETWEEN MIGRATION AND THE STATE  
INCOME TAX, WHEREBY THE LOWER THE TAX  
THE HIGHER THE IN-MIGRATION.**

**DURING THE 1990'S, THE LOWEST TAX  
STATES GAINED ABOUT 2.8 MILLION  
RESIDENTS VIA IN-MIGRATION FROM OTHER STATES.**

**DURING THE SAME PERIOD, THE HIGHEST TAX  
STATES LOST ABOUT 2.2 MILLION  
RESIDENTS VIA OUT-MIGRATION.**

THE GOVERNMENT  
INDUSTRY HAS EXPERIENCED  
RAPID GROWTH IN  
NORTH CAROLINA.

TODAY IT SURPASSES  
MANUFACTURING AS OUR  
LEADING INDUSTRY.

GOVERNMENT RETIREE  
BENEFITS — MILITARY, STATE,  
LOCAL, AND FEDERAL —  
HAVE OFFSET INCOME  
STAGNATION IN FARMING,  
TEXTILES, AND FURNITURE.

THE GOVERNMENT/RETIREMENT  
ECONOMIC FUTURE  
LOOKS STRONG.



# **The Government and Government Enterprises Industry**

**1990**

**NC GOVERNMENT & GOVERNMENT ENTERPRISES industry earnings: \$17.0 billion.**

**NC MANUFACTURING industry earnings: \$22.6 billion.**

**2006**

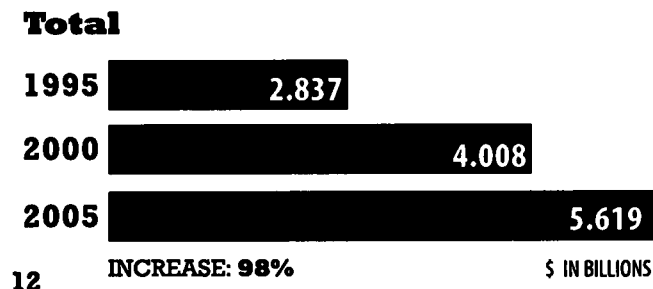
**EARNINGS in the government industry increased by 152% to: \$42.8 billion.**

**EARNINGS in the manufacturing industry increased by 50% to: \$34.6 billion.**

**TODAY**

**MANUFACTURING in NC is now eclipsed by government industry by: \$8 billion.**

**North Carolina Federal  
Civilian, Military, State and  
Local Retirement Benefits  
in 1995, 2000, and 2005**

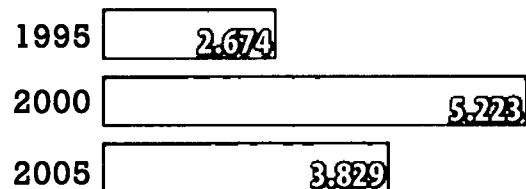


## Government Retirement Benefits Relative to Earnings from North Carolina Industries

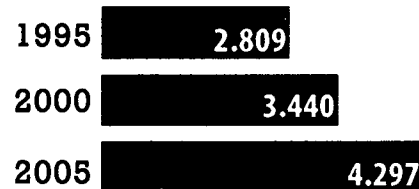
Computer earnings, chemical earnings, and government retirement benefits all started about even in 1995 — \$2.7 TO 2.8 BILLION DOLLARS — but, by 2005, retirement benefits have expanded to \$5.6 billion, leaving the other two behind at \$3.8 BILLION for computers and \$4.3 BILLION for chemicals. Motor vehicle and parts dealers expanded earnings by about 80% from 1995 to 2005, but this increase failed to match the 98% increase in government retirement benefits.

### Earnings from Growth Industries in NC

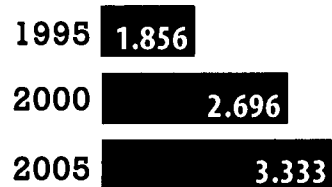
#### Computer & Electronic Products



#### Chemical Manufacturing



#### Motor Vehicle & Parts Dealers



#### Retirement



## **Factors in Future Retiree Benefit Growth**

**In the military arena, the implementation of the BRAC commission report, which became law in November 2005, has MAJOR POSITIVE IMPLICATIONS FOR NC, particularly Fort Bragg and the surrounding communities.**

**Two major headquarter commands are being moved from Fort McPherson, GA to Fort Bragg — Headquarters, US Army Forces Command and US Army Reserve Command. As a result of these recommendations, FORT BRAGG will gain more than 8,000 ADDITIONAL MILITARY PERSONNEL, civil employees, and private contractors by 2013 (NC Department of Commerce, June 2008). Other BRAC and non-BRAC changes are also being implemented. Some offsetting losses are being incurred at Pope Air Force Base.**



## **{ Implications }**

- **The government sector has shown DRAMATIC and consistent growth in recent years.**
- **Approximate DOUBLING of retirement benefits from 1995 to 2005.**
- **An increase in government retirement benefits has helped to OFFSET manufacturing losses in some sectors.**
- **The government sector has SURPASSED manufacturing as the major economic sector in NC.**
- **Future military and government growth, plus the accompanying retiree growth, serves to underpin the STRENGTH of this sector.**
- **The government sector deserves consideration as a MAJOR GROWTH leader in NC**
- **This growth foretells increases in the number and incomes of government employees retiring to NC bringing with them major ECONOMIC BENEFITS.**

**WHEN THIS STUDY WAS INITIATED THERE WAS A  
LACK OF ECONOMIC AND DEMOGRAPHIC  
INFORMATION ON MILITARY, FEDERAL, STATE,  
AND LOCAL RETIREES IN NORTH CAROLINA.**

**IN RESPONSE, A MAJOR SURVEY OF RETIREES WAS  
INITIATED. OVER 9,000 GOVERNMENT  
RETIREES WERE RANDOMLY SELECTED TO  
COMPLETE A COMPLEX ECONOMIC SURVEY.**

# **Are Federal, State, and Local Retirees Widely or Narrowly Distributed?**

## **COVERAGE OF SURVEY RESPONDENTS**

■ **ALL 100 COUNTIES** are represented in government retiree residential locations.

■ **Federal Civilian retirees are located in 77 OF THE 100 COUNTIES**

■ **State government retirees are located in 76 COUNTIES**

■ **Local government retirees are located in 72 COUNTIES**

■ **Military retirees are in 79 COUNTIES**

## { Education of Respondents }

Less than high school graduate

2%

High school graduate

22%

Some college

30%

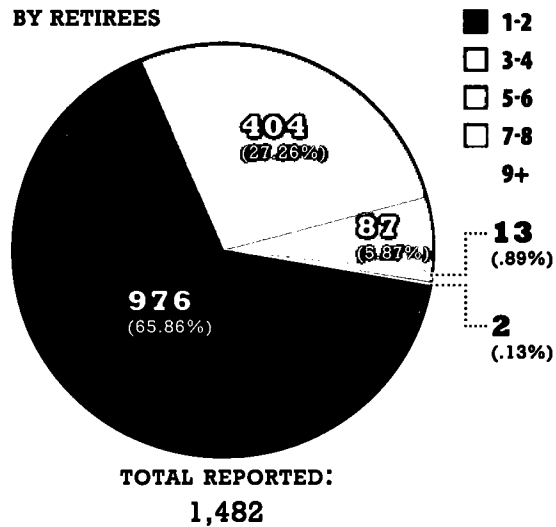
Bachelors and higher

46%

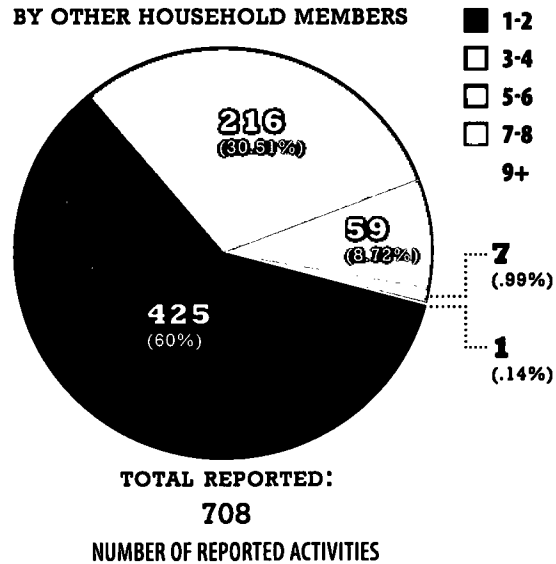


RETIREES ARE  
COMMUNITY VOLUNTEERS

**BY RETIREES**



**BY OTHER HOUSEHOLD MEMBERS**



## Volunteer Activities From Our Survey

- 1** Governmental/civic/organization  
(board of education, county commissioners, recreating committee)
  - 2** Community Club (Lions, Rotary, Kiwanis, Jaycees, American Legion)
  - 3** Churches/  
Religious Organizations
  - 4** Schools
  - 5** Senior  
Centers
  - 6** Health  
Organizations
  - 7** Environmental  
Organizations
  - 8** Habitat for  
Humanity
  - 9** Meals on  
Wheels
  - 10** Homeowners Associations/  
Retirement Associations
  - 11** Other  
Organizations
- 20

## **{ Volunteer Activities from our Survey }**

**1649 of the 2707 retiree respondents, or 61%, reported that they participated in volunteer activities in their communities.**

- 976 reported 1 or 2 activities**
- 404 reported 3 or 4 activities**
- 87 reported 5 or 6 activities**
- 13 reported 7 or 8 activities**
- 2 reported 9 + activities**

**These individuals reported that they spent 51,481 hours doing volunteer activities. This represents an average of 31 hours volunteer service per respondent for 2006.**

**RETIREE HOUSEHOLDS CONTRIBUTED  
89,060 HOURS OF VOLUNTEER  
SERVICE IN 2006.**

**IF AN HOURLY VALUE OF \$15 IS PLACED  
UPON THIS SERVICE, WE GET A TOTAL  
VALUE OF \$1,335,900 IN  
COMMUNITY SERVICE**



**YES.**

**North Carolina should pass a  
statute to exempt all resident  
military, federal, state and local  
government retirees from  
paying income tax in this state.**

**It is truly an investment  
in North Carolina's future.**

## **{ Survey Respondents Reported }**

### **STATE INCOME TAXES**

Government Retirees Paid an average of  
**\$826** in State Income Tax in 2006

### **REAL ESTATE OWNERSHIP AND TAXES**

Government Retirees Paid an average of **\$1,675** in 2006

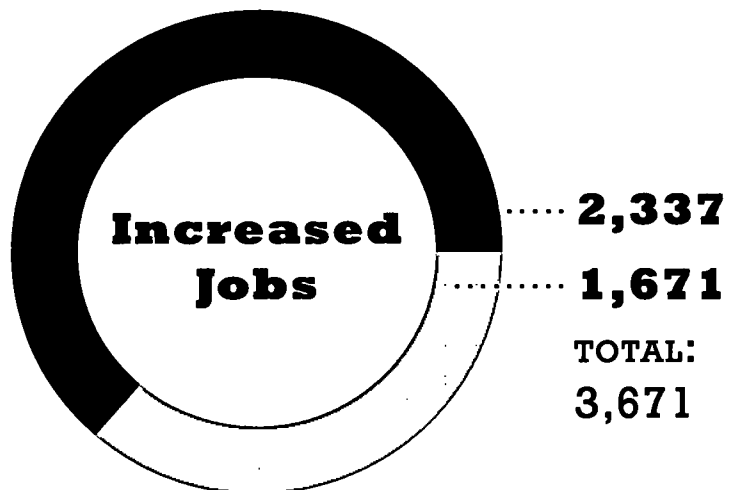
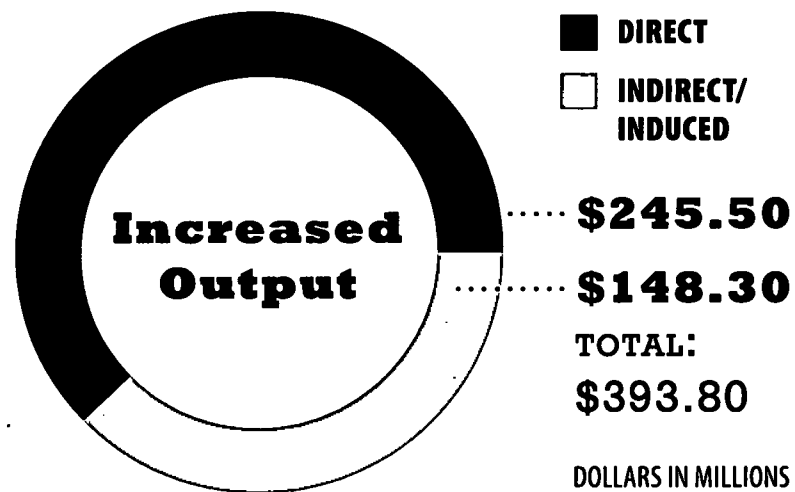
### **MOTOR VEHICLE TAXES**

Government Retirees paid an average of  
**\$358** property tax on their vehicles in 2006

### **SALES TAXES**

The survey did not include sales tax information  
since it was considered very difficult

# IMPLAN Multiplier Results



"Direct effects" represent the increase in incomes associated with an income tax exemption;  
 "indirect / induced" effects represent all other economic impacts in NC.

**Military, Federal, State and  
Local Government Retirees Create  
a Positive Economic Impact By:**

**ENHANCING THE LOCAL PROPERTY TAX BASE AND  
LOCAL AND STATE SALES TAX**

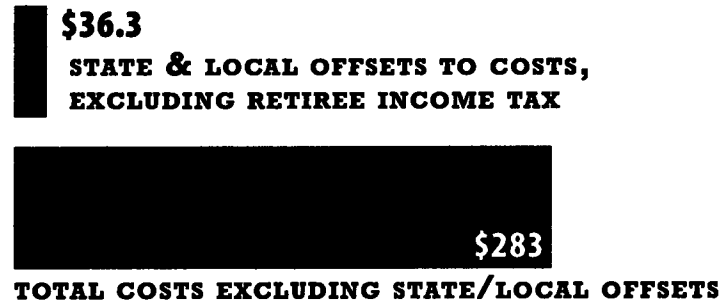
**INCREASING LOCAL CAPITAL AND COMMUNITY JOBS,  
AND STIMULATING AND STABILIZING THE ECONOMY**

**INCREASING VOLUNTARY SERVICES IN THE COMMUNITY**

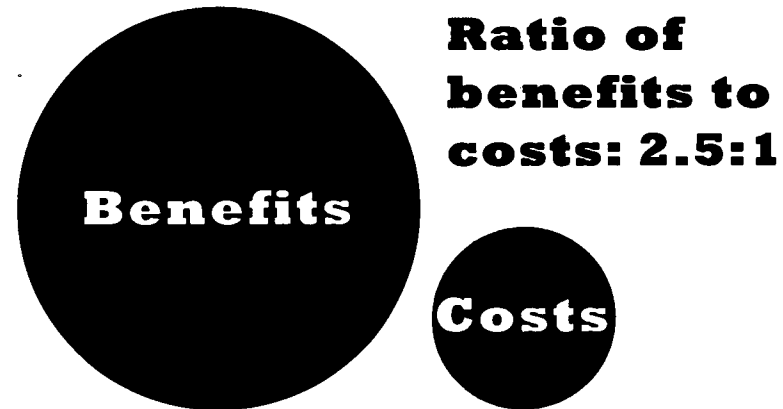
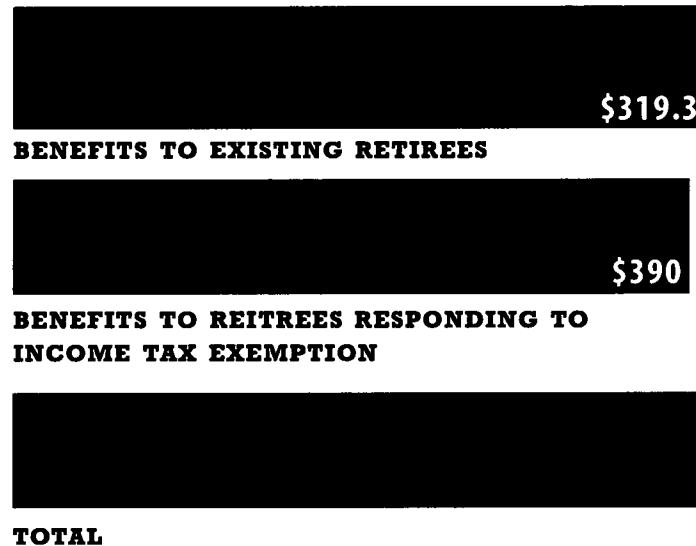
**PROVIDING ENVIRONMENTALLY FRIENDLY GROWTH**

# { Benefit and Cost Summary, 2007 }

## Costs Summary



## Benefits Summary



In these graphics, all benefits and costs are projected out ten years using 2007 data. Each year's benefits and costs are then discounted to present value

**RETIREES ARE A LARGE GROWING  
INDUSTRY IN NORTH CAROLINA THAT  
PROMISES CONTINUING FUTURE GROWTH.**

**THEY ARE A MAJOR PLAYER IN THE STATE,  
SURPASSING TRADITIONAL INDUSTRIES, AND  
RIVALING THE GROWTH INDUSTRIES, AND  
RAPIDLY OUTGROWING THEM.**

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

H

1

**HOUSE BILL 862\***

Short Title:	Study Retirement and Health Benefits.	(Public)
Sponsors:	Representatives Crawford, Folwell (Primary Sponsors); Bell, Earle, Faison, E. Floyd, Hughes, Hurley, and Neumann.	
Referred to:	Pensions and Retirement, if favorable, Rules, Calendar, and Operations of the House.	

March 30, 2009

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A SPECIAL COMMISSION TO STUDY RETIREMENT AND HEALTH BENEFITS FOR TEACHERS AND STATE EMPLOYEES.

The General Assembly of North Carolina enacts:

**SECTION 1.** There is established the Special Commission to Study Retirement and Health Benefits for Teachers and State Employees.

**SECTION 2.(a)** The Commission shall be composed of 14 members as follows:

- (1) The State Treasurer or her designee.
- (2) The Executive Administrator of the State Health Plan for Teachers and State Employees.
- (3) Four members appointed by the President Pro Tempore of the Senate.
- (4) Four members appointed by the Speaker of the House of Representatives.
- (5) Four members appointed by the Governor.

Vacancies on the Commission shall be filled by the appointing authority. The Commission shall choose from among its membership a chair and two vice-chairs. A quorum of the Commission shall be nine members.

The Commission, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4, including the power to request all officers, agents, agencies, and departments of the State to provide any information, data, or documents within their possession, ascertainable from their records, or otherwise available to them, and the power to subpoena witnesses.

The Commission may meet at any time upon call of the chairs. The Commission may meet in the Legislative Building or the Legislative Office Building. The Commission may contract for professional, clerical, or consultant services as provided by G.S. 120-32.02.

The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Commission in its work. The House of Representatives' and Senate's Directors of Legislative Assistants shall assign clerical staff to the Commission, and the expenses relating to the clerical employees shall be borne by the Commission. Members of the Commission shall receive subsistence and travel expenses at the rates set forth in G.S. 120-3.1, 138-5, or 138-6, as appropriate.

**SECTION 2.(b)** The initial meeting of the Commission shall be called by the State Treasurer or her designee.

**SECTION 3.** The Commission shall study retirement and health benefits for teachers and state employees. As a part of its study, the Commission may examine issues related to:



- 1 (1) Whether the changing demographics among State employees require
- 2 changes to the current defined benefit plan and the health plan.
- 3 (2) Whether there is a need to establish a normal retirement age when retirement
- 4 and health benefits are to begin.
- 5 (3) Whether the retirement plan should have a defined contribution component.
- 6 (4) Whether the current benefits plan serves the need to recruit and retain the
- 7 best teachers and State employees.
- 8 (5) Any other issues the committee deems relevant to improvement of the
- 9 retirement systems and the State Health Plan.
- 10 (6) The relationship between the State Health Plan, the Teachers' and State
- 11 Employees' Retirement System, and the Disability Income Plan.

12 **SECTION 4.** The Commission shall make an interim report to the 2009 Regular  
13 Session of the General Assembly prior to its reconvening in 2010 and shall make a final report  
14 to the 2011 Regular Session of the General Assembly prior to its convening. The report shall  
15 include any proposed legislation. The Commission shall terminate upon filing its final report or  
16 upon the convening of the 2011 General Assembly, whichever is earlier.

17 **SECTION 5.** This act is effective when it becomes law.



**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☐ Committee Substitute for

**HB 862**      A BILL TO BE ENTITLED AN ACT TO ESTABLISH A SPECIAL COMMISSION  
TO STUDY RETIREMENT AND HEALTH BENEFITS FOR TEACHERS AND STATE  
EMPLOYEES.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on RULES,  
CALENDAR, AND OPERATIONS OF THE HOUSE.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ The bill/resolution is re-referred to the Committee on \_\_\_\_\_.

**PUBLIC BILL**

**0862**

H.B. \_\_\_\_\_

SESSION LAW \_\_\_\_\_

**A BILL TO BE ENTITLED**

**AN ACT TO ESTABLISH A SPECIAL COMMISSION TO STUDY RETIREMENT AND HEALTH BENEFITS  
FOR TEACHERS AND STATE EMPLOYEES.**

Introduced by Representative(s): *Mc* *DLA* **FOLWELL** (Primary Sponsors)

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

Principal Clerk's Use Only

**PASSED 1st READING**  
**MAR 30 2009**  
**AND REFERRED TO COMMITTEE**  
**ON PENSIONS & RETIREMENT**

*gaw*  
**RULES, CALENDAR AND OPERATIONS OF THE HOUSE**

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

H

1

**HOUSE BILL 872**

Short Title: Deferred Retirement Option/Fire and Rescue. (Public)

Sponsors: Representatives Holliman; Faison, Glazier, Howard, Insko, Lucas, Wainwright, and Wray.

Referred to: Pensions and Retirement, if favorable, Finance.

March 31, 2009

1 A BILL TO BE ENTITLED  
2 AN ACT TO ESTABLISH A DEFERRED RETIREMENT OPTION PLAN FOR MEMBERS  
3 OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. Article 86 of Chapter 58 of the General Statutes is amended by  
6 adding a new section to read:

7 "**§ 58-86-95. Deferred Retirement Option Plan.**

8 Any member who has served 20 years as an eligible fireman or eligible rescue squad  
9 worker in the State of North Carolina, as provided in G.S. 58-86-25 and G.S. 58-86-30, and  
10 who has attained the age of 55 years may elect to continue full-time employment with a fire  
11 department or rescue squad and have a Deferred Retirement Option Plan account established in  
12 the member's name and managed by the Fund. Effective with a member's election to participate  
13 in the Plan, receipt of the member's monthly pension is deferred and shall be deposited into the  
14 member's account until the member retires or separates from service with the fire department or  
15 rescue squad. Interest on funds in a Deferred Retirement Option Plan account shall be applied  
16 at a rate and in a manner to be determined by the Board of Trustees. Upon retirement or  
17 separation from service: (i) the member's account funds and accumulated interest shall be paid  
18 in either a lump sum or equal payments, at the election of the member; and (ii) the member's  
19 monthly pension shall be paid directly to the member."

20 SECTION 2. This act becomes effective January 1, 2010.



\* H 8 7 2 - V - 1 \*



# NORTH CAROLINA GENERAL ASSEMBLY

## Legislative Services Office

George R. Hall, Legislative Services Officer

*Research Division*


... N. Salisbury Street, Suite 619  
Raleigh, NC 27603-5925  
Tel. 919-733-4910 Fax 919-715-3589

*Marilyn Chism*  
• Director

April 13, 2009

### MEMORANDUM

TO: Representative Hugh Holliman

FROM: Stanley Moore   
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 872

Re: Deferred Retirement Option/Fire and Rescue

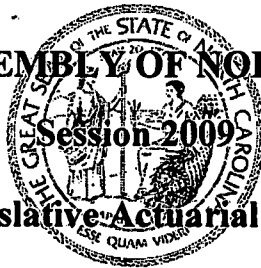
In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives; attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Representative Russell Tucker  
House Principal Clerk

#### Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates

# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 872 (First Edition)  
**SHORT TITLE:** Deferred Retirement Option/Fire and Rescue.  
**SPONSOR(S):** Representative Holliman

---

**FUNDS AFFECTED:** General Fund

**SYSTEM OR PROGRAM AFFECTED:** Firemen and Rescue Squad Workers' Pension Fund

**EFFECTIVE DATE:** January 1, 2010

**BILL SUMMARY:** Permits a member of the Firemen's and Rescue Squad Workers' Pension Fund (Fund) who has (1) served as an eligible fireman or rescue squad worker for 20 years and (2) attained the age of 55 years to elect to continue in full-time employment and have a Deferred Retirement Option Plan account established in the member's name and managed by the Fund. Provides that the member's monthly pension is deferred and deposited in the member's Deferred Plan account until the member retires or separates from service with the fire department or rescue squad. Provides that upon retirement or separation from service the member may choose to receive payment from the account funds and the accumulated interest in either a lump sum or equal payments and the member's monthly pension is to be paid directly to the member.

#### **ESTIMATED IMPACT ON STATE:**

Retirement System Actuary: Buck Consultants estimates the cost to be as follows assuming a 4% rate:

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
Normal Cost	\$335,926	\$335,926	\$335,926	\$335,926	\$335,926
Accrued Liability	\$1,187,270	\$1,187,270	\$1,187,270	\$1,187,270	\$1,187,270
<b>Total Cost</b>	<b>\$1,523,196</b>	<b>\$1,523,196</b>	<b>\$1,523,196</b>	<b>\$1,523,196</b>	<b>\$1,523,196</b>

General Assembly Actuary: Hartman & Associates, LLC, estimates the cost to be as follows assuming a 4% rate:

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
Normal Cost	\$363,000	\$363,000	\$363,000	\$363,000	\$363,000
Accrued Liability	\$1,336,000	\$1,336,000	\$1,336,000	\$1,336,000	\$1,336,000
<b>Total Cost</b>	<b>\$1,699,000</b>	<b>\$1,699,000</b>	<b>\$1,699,000</b>	<b>\$1,699,000</b>	<b>\$1,699,000</b>

**ASSUMPTIONS AND METHODOLOGY: Firemen and Rescue Squad Workers' Pension Fund:** The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the June 30, 2008 actuarial valuation of the fund. The data included 36,160 active members, 10,509 retired members in receipt of annual pensions totaling \$21.4 million and actuarial value of assets equal to \$317 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1974 George B. Buck Mortality Table for deaths after retirement and (c) rates of separation from active service based on Fund experience. The actuarial cost method used was the entry age method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** System Actuary – Buck Consultants  
General Assembly Actuary - Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION: (919) 733-4910.** The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**PREPARED BY:** Stanley Moore

**APPROVED BY:**

Bob Weiss  
on behalf of Marilyn Chism, Director  
Fiscal Research Division



**DATE:** April 13, 2009

**Signed Copy Located in the NCGA Principal Clerk's Offices**



April 8, 2009

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: House Bill 872**

Dear Mr. Vanderweide:

We have received your request of April 2 regarding House Bill 872, which affects the Firemen's and Rescue Squad Workers' Pension Fund.

This proposed legislation amends Article 86 of Chapter 58 of the General Statutes and appears to allow members that have attained age 55 and served 20 years as an eligible fireman or rescue squad worker to continue full-time employment and elect to have a Deferred Retirement Option Plan (DROP) account established. This proposed legislation is effective January 1, 2010.

Our cost estimate for this proposed legislation is based on the Fund's valuation as of June 30, 2008, including a funding basis of nine years for liquidation of unfunded accrued liabilities. Our estimate assume that the DROP is only available to full-time paid firefighters and rescue squad workers and that 40% of the members that currently work beyond initial retirement eligibility are full-time paid firefighters and rescue squad workers. We have assumed that 100% of these full-time paid firefighters and rescue workers participate in the DROP at the earliest possible date. However, we have not changed our assumptions with respect to the date at which the member ultimately leaves employment.

We have also assumed that, upon election to have a DROP account, the member's monthly pension that is deferred is credited to a hypothetical account that is credited with a fixed rate of interest. We have assumed that this fixed rate is 4%. For sensitivity purposes, we have also provided results based on a 3% assumption for the fixed rate of interest.

Under the assumption that \$9,756,581 is the budgeted annual contribution amount for the 2009-2010 fiscal year and assuming no repayment of the net pension obligation of \$522,191, the contribution will need to increase to \$10,074,444 (an increase of \$317,863) to cover the gap between the

required contribution for the 2009-2010 fiscal year and the budgeted annual contribution amount for the 2009-2010 fiscal year. The following table shows the required annual contribution for this proposed legislation and the increase in the required contribution based on both a 4% and 3% assumption for the fixed rate of interest.

**ADDITIONAL ANNUAL CONTRIBUTIONS PAYABLE BY THE STATE  
FOR PROPOSED LEGISLATION**

	<u>4% Crediting Rate</u>	<u>3% Crediting Rate</u>
Additional contribution for proposed legislation:		
Normal	\$ 335,926	\$ 331,587
Accrued liability	<u>1,187,270</u>	<u>1,170,994</u>
Total	\$1,523,196	\$1,502,581
 Increase in required contribution	 \$ 317,863	 \$ 317,863
 Additional appropriation required	 \$1,841,059	 \$1,820,444

Our cost estimate for this proposed change is based on the June 30, 2008, valuation and does not reflect the asset experience that occurred during the second half of 2008. The asset experience that occurred during the second half of 2008 will result in a significant increase in the required contributions for the 2010 - 2011 fiscal year.

I am an Enrolled Actuary, a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions or need additional assistance, please let us know.

Very truly yours,

  
Richard A. Mackesey, FSA, EA, MAAA  
Principal, Consulting Actuary

RAM:km  
UNC\COR\90407RM3.DOC



# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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MARK V. HARTMAN, FSA, MAAA, MCA, EA  
hartman@triad.rr.com

Phone: (336) 731-4038  
Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

April 9, 2009

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: House Bill 872: An Act to Establish a Deferred Retirement Option Plan for Members of the FRSW Fund

Dear Mr. Moore:

This bill adds a new section G.S. 58-86-95 to establish a Deferred Retirement Option Plan (DROP) for members of the Firemen's and Rescue Squad Worker's Pension Fund (FRSW). This provision would allow a member who has served 20 years as an eligible fireman or rescue squad worker and has attained age 55 to continue full-time employment with a fire department or rescue squad and have a DROP account established for the member. Upon electing to participate, receipt of the member's monthly pension would be deferred until his actual retirement and be credited to his DROP account. Interest would be credited to the DROP account at a rate determined by the Board of Trustees. The account balance would be payable to the member upon his separation from service in either a lump sum or annuity. This act becomes effective January 1, 2010.

This bill will produce a cost to the FRSW due to the increased retirement benefits payable from the DROP accounts. I have assumed that all full-time firefighters and rescue squad workers would establish a DROP account once they attain age 55 with 20 years creditable service and accumulate funds until their actual retirement. I projected actual retirement based on the assumptions for firefighters in the Local Governmental Employee's Retirement System (LGERS). The cost of this bill is also dependent upon the interest credited to the DROP accounts. I assumed a 4.0% fixed rate and did sensitivity testing for 1% higher and lower rates.

The net impact on the FRSW is an increase in the normal contribution rate and an increase in the unfunded accrued liability. I estimate the normal contribution would increase by \$363,000 and the accrued liability contribution would increase by \$1,336,000. This amortizes the additional accrued liability over a 9-year period. The sensitivity analysis shows that a 1% change in the credited interest rate on DROP accounts would change the total cost by approximately 3%.

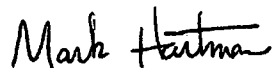
Mr. Stanley Moore  
April 9, 2009

Page 2

These estimates are based on the most recent actuarial valuation prepared as of June 30, 2008 covering 36,160 active members of the FRSW and data on approximately 6,600 paid firefighters and rescue squad workers.

If you have any questions, let me know.

Sincerely,

A handwritten signature in black ink that reads "Mark Hartman". The signature is written in a cursive, flowing style.

Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☐ Committee Substitute for

**HB 872** A BILL TO BE ENTITLED AN ACT TO ESTABLISH A DEFERRED RETIREMENT  
OPTION PLAN FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS'  
PENSION FUND.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on  
FINANCE.

**(FOR JOURNAL USE ONLY)**

---

\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ The bill/resolution is re-referred to the Committee on \_\_\_\_\_.

**PUBLIC BILL**

0872

H.B. \_\_\_\_\_

SESSION LAW \_\_\_\_\_

**A BILL TO BE ENTITLED**

**AN ACT TO ESTABLISH A DEFERRED RETIREMENT OPTION PLAN FOR MEMBERS OF THE  
FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.**

Introduced by Representative(s): Holliman. *Holliman*

*- VET*

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

*Principal Clerk's Use Only*

**SED 1st READING**

MAR 31 2009

AND REFERRED TO COMMITTEE

ON *Pensions & Retirement*

*Law Finance*

# VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

April 15, 2009

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Mitch Leonard	SEANC
Renee Vaughan	SEANC
Alvin Garland	<del>SEA</del> NCEL
Paul Miller	NCSFA
Fred Bone	Bone : fso.
Ed Reagon	NCRGEA
Joe Long	521 MCKIRKLAND CD 4 <sup>th</sup> BRANCH Cary NC 27511
Mike Latta	4 <sup>th</sup> Branch - Raleigh 27612
Fred Black	4 <sup>th</sup> Branch 206 woodleaf, Chapel Hill, NC 27516
Paul E. Sam	FEDERAL RETIREE TASK FORCE 4 <sup>th</sup> BRANCH
CURTIS R HEARY	USCG Chief Petty Officers Association 4 <sup>th</sup> BRANCH

# VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

April 15, 2009

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

IRA Schwarz	Emc Sec The 9 <sup>th</sup> Branch
Sobari	Theraput
David Vanderveide	Dept. of State Treasurer
Tom Hefgood	The 4 <sup>th</sup> Branch
Patric Buff	NMRC
Zeb Alley	"
Julie W	NCMMC
Mary Beth	AARP NC
Bill Wilson	AARP
Richard O'Brien	PFFPNC
David Ambros	PFFPNC

# VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

April 15, 2009

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Larry Presnell, Jr.	State North Carolina Retired School Personnel
Bill Lewis	NCAE
Ken Melton	Ken Melton & Assoc.
Pam Deardorff	NC Retired School Personnel



North Carolina General Assembly  
**House Committee on Pensions & Retirement**

**MINUTES**

~

Wednesday, April 29, 2009

The House Committee on Pensions and Retirement met Wednesday, April 29, 2009 at 10:00 a.m. in Room 415 of the Legislative Office Building. The following members were present: Representative Tucker, Chair, Representatives Bell, Folwell, Holloway, Hurley and McGee, Vice Chairs and Representatives Farmer-Butterfield, McLawhorn, Ross and Tolson. Thirty-two visitors attended and a visitor's registration sheet is attached as part of these minutes.

The Chair recognized the page Charles Marsh from Cabarrus County, sponsored by Representative Barnhart and Sergeant-at-Arms Reggie Sills and John Brandon.

Chairman Tucker recognized Representative Womble to present **HB 766 - AN ACT TO AMEND THE PROVISION FOR THE SURVIVOR'S ALTERNATE BENEFIT FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO PROVIDE A BENEFIT FOR SURVIVORS OF LAW ENFORCEMENT OFFICERS KILLED IN THE LINE OF DUTY AFTER THE COMPLETION OF FIFTEEN YEARS OF SERVICE.** (*Attachment #1*).

Representative Womble explained the bill, and then recognized Representative Parmon, co-sponsor of the bill to make comments. Representative Ross moved for a favorable report. Motion carried.

Representative Folwell was recognized to present **HB 556 - AN ACT TO ENACT THE TREASURER'S GOVERNANCE AND TRANSPARENCY ACT OF 2009.** (*Attachment #2*). A PCS was presented and Representative Tolson moved to accept the PCS for consideration. Motion carried. Representative Folwell explained the bill. He stated the State Treasurer Janet Cowell requested this bill and she was recognized to comment on the bill. Representative Folwell made a



motion to give the PCS a favorable report, unfavorable to the original and re-refer to the Committee on Finance. Motion passed.

The Chair called on Representative Gibson to present **HB 1507 - AN ACT CONCERNING INVESTMENTS OF THE STATE TREASURER.** (*Attachment #3*). A PCS was presented and Representative Tolson moved to approve it for consideration. Motion passed. Representative Gibson explained the bill. He asked Staff to explain the changes on the PCS which were only technical. State Treasurer Cowell stated this bill gives more flexibility on credit investments. An amendment was presented by Representative Folwell. Motion passed to approve the amendment. A motion was made by Representative Tolson for a favorable report to the amended PCS, unfavorable to the original and re-refer to the Committee on Finance. Motion passed.

The Chair called on Representative Hurley, Vice Chair to chair the meeting while he presented his bill **HB 934 - AN ACT TO ADDRESS COST-OF-LIVING ADJUSTMENTS FOR RETIREES OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.** (*Attachment #4*). Representative Hurley asked Representative Tucker to explain but he asked Staff to help explain the one percent cost of living to the retirees of the local retirement system is in the bill. Representative McLawhorn moved for a favorable report and re-refer to the Committee on Finance. Motion carried.

Representative Hurley, Vice Chair asked Representative Tucker to present another bill **HB 642 - AN ACT TO MAKE TECHNICAL CORRECTIONS AND OTHER CHANGES TO THE STATUTES GOVERNING THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, AND THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.** (*Attachment #5*). A PCS was presented and Representative McLawhorn moved to accept it for consideration. Motion passed. Representative Tucker asked Staff Stanley Moore to explain the bill. After questions and discussion, Representative Folwell moved for a favorable report to the PCS, unfavorable to the original and re-refer to the Committee on Appropriations. Motion carried.

Chairman Tucker recognized Cotham to present **HB 816 - AN ACT TO CLARIFY THE LAW ENFORCEMENT OFFICERS UNDER THE LOCAL GOVERNMENTAL RETIREMENT SYSTEM.** (*Attachment #6*). Representative Cotham explained the bill. Representative McLawhorn moved for a favorable report and re-refer to the Committee on Appropriations. Motion carried.

Representative Folwell was called on to present HB 1221 - AN ACT DIRECTING THE OFFICE OF STATE PERSONNEL, DEPARTMENT OF PUBLIC INSTRUCTION, NORTH CAROLINA COMMUNITY COLLEGES, AND THE UNIVERSITY OF NORTH CAROLINA TO DEVELOP AN EMPLOYEE BENEFITS STATEMENT THAT REFLECTS THE CURRENT VALUE OF EMPLOYEE BENEFITS PROVIDED TO STATE, PUBLIC SCHOOL, AND COMMUNITY COLLEGE EMPLOYEES. (Attachment #7). After Representative Folwell explained the bill, Representative Ross made a motion for a favorable report. Motion, carried.

There being no further business, the meeting adjourned at 10:50 a.m.

Respectfully submitted,

  
Representative Russell Tucker; Chair

  
Sally Gillis/Committee Assistant

# **AGENDA**

## **HOUSE COMMITTEE ON PENSIONS AND RETIREMENT**

**Wednesday, April 29, 2009**

**Room 415 LOB**

**10:00 A.M.**

- HB 556      TREASURER'S GOVERNANCE & TRANSPARENCY ACT**  
**Representatives Folwell, McGee, Owens & Randleman**
- HB 642      RETIREMENT TECHNICAL CORRECTIONS**  
**Representatives Tucker & Bell**
- HB 766      AMEND SURVIVOR'S ALTERNATE BENEFIT**  
**Representative Womble**
- HB 816      CLARIFY LOCAL SPECIAL SEPARATION ALLOWANCE**  
**Representatives Cotham, Dollar, McLawhorn & Weiss**
- HB 934      LOCAL EMPLOYEES' RETIREMENT SYSTEM COLAS**  
**Representatives Tucker & McLawhorn**
- HB 1221     DEVELOP STATE EMPLOYEES BENEFIT STATEMENT**  
**Representatives Folwell, Crawford, Gibson & Avila**
- HB 1507     STATE TREASURER INVESTMENTS**  
**Representative Gibson**

**ADJOURNMENT**

**\*\*\*REVISED NOTICE\*\*\***

**NORTH CAROLINA HOUSE OF REPRESENTATIVES  
COMMITTEE MEETING NOTICE  
AND  
BILL SPONSOR NOTIFICATION  
2009-2010 SESSION**

You are hereby notified that the Committee on Pensions and Retirement will meet as follows:

**DAY & DATE:**        **Wednesday, April 29 2009**

**TIME:**                **10:00 A.M.**

**LOCATION:**           **Room 415 LOB**

**COMMENTS:** **ADD HB 766 AMEND SURVIVOR'S ALTERNATE BENEFIT**  
**Representative's Womble, Parmon, Mobley & Jones**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

<u>Bill #</u>	<u>Short Title</u>	<u>Sponsor</u>
HB 556	Treasurer's Governance & Transparency Act	Representatives Folwell, McGee, Owens & Randleman
HB 642	Retirement Technical Corrections	Representative Tucker & Bell
HB 816	Clarify Local Special Separation Allowance	Representatives Cotham, Dollar, McLawhorn & Weiss
HB 934	Local Employees' Retirement System Colas	Representatives Tucker & McLawhorn
HB 1221	Develop State Employees Benefit Statement	Representatives Folwell, Crawford, Gibson & Avila
HB 1507	State Treasurer Investments	Representative Gibson

Respectfully,

Representative Russell Tucker  
Chairman

I hereby certify this notice was filed by the committee assistant at the following offices at 2:00 p.m. on April 28 2009.

\_\_\_\_ Principal Clerk  
\_\_\_\_ Reading Clerk - House Chamber

Sally Gillis, Committee Assistant

**NORTH CAROLINA HOUSE OF REPRESENTATIVES  
COMMITTEE MEETING NOTICE  
AND  
BILL SPONSOR NOTIFICATION  
2009-2010 SESSION**

You are hereby notified that the Committee on Pensions and Retirement will meet as follows:

**DAY & DATE:**      **Wednesday, April 29 2009**

**TIME:**              **10:00 A.M.**

**LOCATION:**        **Room 415 LOB**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

<u>Bill #</u>	<u>Short Title</u>	<u>Sponsor</u>
HB 556	Treasurer's Governance & Transparency Act	Representatives Folwell, McGee, Owens & Randleman
HB 642	Retirement Technical Corrections	Representative Tucker & Bell
HB 816	Clarify Local Special Separation Allowance	Representatives Cotham, Dollar, McLawhorn & Weiss
HB 934	Local Employees' Retirement System Colas	Representatives Tucker & McLawhorn
HB 1221	Develop State Employees Benefit Statement	Representatives Folwell, Crawford, Gibson & Avila
HB 1507	State Treasurer Investments	Representative Gibson

Respectfully,

Representative Russell Tucker  
Chairman

I hereby certify this notice was filed by the committee assistant at the following offices at 11:00 a.m. on April 24 2009.

\_\_\_\_Principal Clerk  
\_\_\_\_Reading Clerk - House Chamber

Sally Gillis, Committee Assistant

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

H

2

**HOUSE BILL 766\*  
Committee Substitute Favorable 4/15/09**

Short Title: Amend Survivor's Alternate Benefit.

(Public)

Sponsors:

Referred to:

March 25, 2009

## A BILL TO BE ENTITLED

AN ACT TO AMEND THE PROVISION FOR THE SURVIVOR'S ALTERNATE BENEFIT FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO PROVIDE A BENEFIT FOR SURVIVORS OF LAW ENFORCEMENT OFFICERS KILLED IN THE LINE OF DUTY AFTER THE COMPLETION OF FIFTEEN YEARS OF SERVICE.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 135-5(m) reads as rewritten:

"(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the principal beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option 2 of subsection (g) above computed by assuming that the member had retired on the first day of the month following the date of his death, provided that the following conditions apply:

- (1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance,
- b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with G.S. 135-5(b19)(1)b. or G.S. 135-5(b19)(2)c., notwithstanding the requirement of obtaining age 50, or
- b1. The member was a law enforcement officer who had obtained 15 years of service as a law enforcement officer and was killed in the line of duty, in which case the retirement allowance shall be computed in accordance with G.S. 135-5(b19)(1)b., notwithstanding the requirement of obtaining age 50, or
- c. The member had not commenced to receive a retirement allowance as provided under this Chapter.
- (2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who was living at the time of his death.
- (3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection to apply.

For the purpose of this benefit, a member is considered to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as



1 provided for under this Chapter for which the member had made application in writing prior to  
2 the date of death, provided that the date of death occurred prior to or within 60 days after  
3 notification of the cost to make the purchase. The term "in service" as used in this subsection  
4 includes a member in receipt of a benefit under the Disability Income Plan as provided in  
5 Article 6 of this Chapter.

6 Notwithstanding the foregoing, a member who is in receipt of Workers' Compensation  
7 during the period for which the member would have otherwise been eligible to receive  
8 short-term benefits, as provided in G.S. 135-105, and who dies on or after 181 days from the  
9 last day of the member's actual service but on or before the date the benefits as provided in  
10 G.S. 135-105 would have ended, shall be considered in service at the time of the member's  
11 death for the purpose of this benefit."

12 **SECTION 2.** G.S. 128-27(m) reads as rewritten:

13 "(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the principal  
14 beneficiary designated to receive a return of accumulated contributions shall have the right to  
15 elect to receive in lieu thereof the reduced retirement allowance provided by Option two of  
16 subsection (g) above computed by assuming that the member had retired on the first day of the  
17 month following the date of his death, provided that all three of the following conditions apply:

- 18 (1) a. The member had attained such age and/or creditable service to be  
19 eligible to commence retirement with an early or service retirement  
20 allowance, or  
21 b. The member had obtained 20 years of creditable service in which  
22 case the retirement allowance shall be computed in accordance with  
23 G.S. 128-27(b21)(1)b. or G.S. 128-27(b21)(2)c., notwithstanding the  
24 requirement of obtaining age 50, or  
25 b1. The member was a law enforcement officer who had obtained 15  
26 years of service as a law enforcement officer and was killed in the  
27 line of duty, in which case the retirement allowance shall be  
28 computed in accordance with G.S. 128-27(b21)(1)b., notwithstanding  
29 the requirement of obtaining age 50, or  
30 c. The member had not commenced to receive a retirement allowance  
31 as provided under this Chapter.  
32 (2) The member had designated as the principal beneficiary to receive a return  
33 of his accumulated contributions one and only one person who is living at  
34 the time of his death.  
35 (3) The member had not instructed the Board of Trustees in writing that he did  
36 not wish the provisions of this subsection apply.

37 For the purpose of this benefit, a member is considered to be in service at the date of his  
38 death if his death occurs within 180 days from the last day of his actual service. The last day of  
39 actual service shall be determined as provided in subsection (l) of this section. Upon the death  
40 of a member in service, the surviving spouse may make all purchases for creditable service as  
41 provided for under this Chapter for which the member had made application in writing prior to  
42 the date of death, provided that the date of death occurred prior to or within 60 days after  
43 notification of the cost to make the purchase."

44 **SECTION 3.** This act is effective when it becomes law and applies to beneficiaries  
45 of law enforcement officers killed in the line of duty on and after January 1, 2007.



## HOUSE BILL 766: Amend Survivor's Alternate Benefit

2009-2010 General Assembly

<b>Committee:</b>	House Pensions and Retirement	<b>Date:</b>	April 28, 2009
<b>Introduced by:</b>	Reps. Womble, Parmon, Mobley, Jones	<b>Prepared by:</b>	Karen Cochrane-Brown
<b>Analysis of:</b>	Second Edition		Committee Counsel

**SUMMARY:** *House Bill 766 amends the laws governing the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System to allow the beneficiary of a law enforcement officer who had at least 15 years of service and who was killed in the line of duty to elect the survivor's alternate benefit.*

[As introduced, this bill was identical to S411, as introduced by Sen. Brunstetter, which is currently in House Homeland Security, Military, and Veterans Affairs, if favorable, Pensions and Retirement.]

### CURRENT LAW:

Under current law, when a member of the State or Local Retirement System dies in service, the member's primary beneficiary is entitled to choose to receive a survivor's alternate benefit in lieu of a return of the member's accumulated contributions. The survivor's alternate benefit is determined by computing the amount the beneficiary would have received if the member had retired and selected a joint and survivor option to provide for the continuation of the member's reduced retirement allowance throughout the life of the beneficiary. In order to receive the benefit, one of the following must apply:

- The member was eligible to retire and receive a full or early retirement allowance;
- The member had 20 years of creditable service, but was not yet 50 years of age, and therefore not eligible for early retirement, in which case, the benefit is computed based on the early retirement formula;
- The member had not yet begun to receive a retirement allowance.

There is currently no provision for the beneficiary of a member who dies with less than 20 years of service to receive the survivor's alternate benefit.

### BILL ANALYSIS:

House Bill 766 amends the law to provide that in the case of a law enforcement officer who dies in the line of duty having obtained 15 years of service, the officer's beneficiary will be entitled to select the survivor's alternate benefit. The benefit will be computed based on the early retirement formula.

**EFFECTIVE DATE:** This act is effective when it becomes law, and applies to beneficiaries of law enforcement officers killed in the line of duty on and after January 1, 2007.

'1766-SMRO-49(e2) v1





# NORTH CAROLINA GENERAL ASSEMBLY

## Legislative Services Office

George R. Hall, Legislative Services Officer

*Fiscal Research Division*  
100 N. Salisbury Street, Suite 619  
Raleigh, NC 27603-5925  
Tel. 919-733-4910 Fax 919-715-3589

*Marilyn Chism*  
Director

March 31, 2009.

### **MEMORANDUM**

TO: Representative Larry Womble  
Representative Earl Jones  
Representative Earline Parmon  
Representative Annie Mobley

FROM: Stanley Moore *SM*  
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 766

Re: Amend Survivor's Alternate Benefit

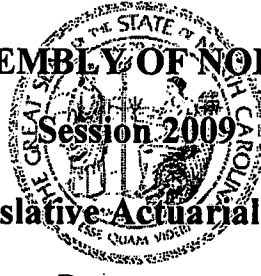
In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Representative Russell Tucker  
House Principal Clerk

#### Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates

# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 766 (First Edition)

**SHORT TITLE:** Amend Survivor's Alternate Benefit.

**SPONSOR(S):** Representatives Womble, Jones, Parmon, and Mobley

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**FUNDS AFFECTED:** General Fund, Highway Fund, and Receipt Funds for the Teachers' and State Employees' Retirement System and local funds for the Local Governmental Employees' Retirement System

**SYSTEM OR PROGRAM AFFECTED:** Teachers' and State Employees' Retirement System, and Local Governmental Employees' Retirement System.

**EFFECTIVE DATE:** January 1, 2007

**BILL SUMMARY:** Amends the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System to provide a survivor's alternate benefit under both systems for any law enforcement officer who obtained at least 15 years of creditable service and is killed in the line of duty. Provides that such benefits must be computed in accordance with GS 135-5(b19)(1)b. for the Teachers' and State Employees' Retirement System and GS 128.27(b21)(1)b. for the Local Governmental Employees' Retirement System, notwithstanding the requirement that the member reach age 50. Applies to beneficiaries of law enforcement officers killed in the line of duty on and after January 1, 2007

**ESTIMATED IMPACT ON STATE:** Both the Retirement System Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, agree that the cost is less than 0.01% of total payroll as a result of the enactment of this bill.

**ESTIMATED IMPACT ON LOCAL GOVERNMENTS:** Both the Retirement System Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, agree that the cost is less than 0.01% of total payroll as a result of the enactment of this bill

#### ASSUMPTIONS AND METHODOLOGY:

##### Teachers' & State Employees' Retirement System

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2007 actuarial valuation of the fund. The data included 338,490 active members with an annual payroll of \$12.7 billion, 145,855 retired members in receipt of annual pensions totaling \$2.9 billion, and actuarial value of assets equal to \$55.3 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) average salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables

(tables are not adjusted for male teachers, set forward one year for female teachers, set forward two years for general employees and law enforcement officers and set forward two years for the beneficiaries of deceased member), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal cost method and a frozen liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

#### **Local Governmental Employees' Retirement System**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2007 actuarial valuation of the fund. The data included 127,959 active members with an annual payroll of \$4.75 billion, 42,408 retired members in receipt of annual pensions totaling \$689.4 million, and actuarial value of assets equal to \$16.8 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables, (tables are set forward three years for males, set forward two years for females and set forward two years for the beneficiaries of deceased members and special mortality tables are used for period after disability retirement), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Gains and losses are reflected in the normal rate. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** Buck Consultants  
Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910. The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**PREPARED BY:** Stanley Moore

**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division

**DATE:** March 31, 2009



Signed Copy Located in the NCGA Principal Clerk's Offices



March 30, 2009

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: House Bill 766 / Senate Bill 411**

Dear Mr. Vanderweide:

We have received your request of March 25 regarding House Bill 766, which is equivalent to Senate Bill 411 and which affects the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS).

This proposed legislation amends G.S. 135-5(m) and G.S. 128-27(m) and appears to expand eligibility for the Survivor's Alternate Benefit to law enforcement officers who have obtained 15 years of service and are killed in the line of duty. The effective date of this proposed legislation is January 1, 2007.

Based on a nine-year liquidation period and the results of the December 31, 2007 valuation of TSERS and the assumption that the contribution rate is increased 0.21% of payroll to cover the gap between the required contribution for the 2009 - 2010 fiscal year and the contribution rate for the 2008 - 2009 fiscal year, the annual cost for this proposed change is less than 0.01% of payroll for TSERS.

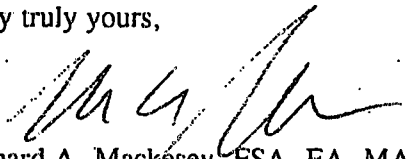
Based on the results of the December 31, 2007 valuations of LGERS and assuming that none of the undistributed gain is used to cover the cost of this proposed change, the annual cost for this proposed change is less than 0.01% of payroll for LGERS.

Our cost estimate for this proposed change is based on the December 31, 2007 valuations of TSERS and LGERS and does not reflect the asset experience that occurred during 2008. The asset experience that occurred during 2008 will result in a significant increase in the required contributions for the 2010-2011 fiscal year.

I am an Enrolled Actuary, a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, FSA, EA, MAAA  
Principal, Consulting Actuary

RAM:km  
\\NC\COR\90306RM1.DOC

# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

March 30, 2009

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: House Bill 766: An Act to Amend the Survivor's Alternate Benefit in the TSERS and LGERS for Survivors of Law Enforcement Officers Killed in the Line of Duty

Dear Mr. Moore:

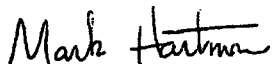
This bill amends G.S. 135-5(m) and G.S. 128-27(m) to modify the requirements to qualify for a survivor's alternate benefit in the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS). Currently, these sections provide that, upon the death of a member in service, the principal beneficiary designated to receive a return of accumulated contributions has the right to elect a reduced retirement allowance if certain conditions are met. The reduced allowance is computed as if the member had retired on the first day of the month following the date of death and elected a joint and survivor benefit. In order to be eligible for this benefit, the member must have met the age and service requirements to be eligible to receive an early or service retirement, or have 20 years of creditable service.

This bill would extend the survivor's alternate benefit to beneficiaries of a law enforcement officer who has 15 years of service as a law enforcement officer and is killed in the line of duty. This act is effective when it becomes law and applies to beneficiaries of law enforcement officers killed in the line of duty on and after January 1, 2007.

Extending this benefit to additional members and applying this provision to previous deaths will create a cost to the TSERS and LGERS. However, based on our review of the available data, the estimated cost to each system is less than 0.01% of payroll. This conclusion is based on the most recent actuarial valuations prepared as of December 31, 2007, and data showing one member qualifying under this provision in the last two years.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☒ Committee Substitute for

**HB 766** A BILL TO BE ENTITLED AN ACT TO AMEND THE PROVISION FOR THE SURVIVOR'S ALTERNATE BENEFIT FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO PROVIDE A BENEFIT FOR SURVIVORS OF LAW ENFORCEMENT OFFICERS KILLED IN THE LINE OF DUTY AFTER THE COMPLETION OF FIFTEEN YEARS OF SERVICE.

☒ With a favorable report.

**(FOR JOURNAL USE ONLY)**

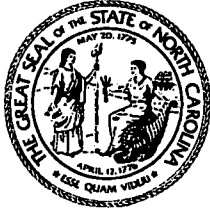
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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of \_\_\_\_\_.







# HOUSE BILL 556: Treasurer's Governance & Transparency Act

2009-2010 General Assembly

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<b>Committee:</b>	House Pensions and Retirement, if favorable, Finance	<b>Date:</b>	April 14, 2009
<b>Introduced by:</b>	Reps. Folwell, McGee, Owens, Randleman	<b>Prepared by:</b>	Karen Cochrane-Brown
<b>Analysis of:</b>	PCS to First Edition H556-CSLA-7		Committee Counsel

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**SUMMARY:** *House Bill 556 is an agency bill that would increase the membership of the State Treasurer's Investment Advisory Committee from five to seven members, by adding two public members. The bill also changes the experience requirements of the public members.*

*The Proposed Committee Substitute adds a new section to the bill which describes the duties and the standards to be applied to the State Treasurer with regard to the discharge of her duties in connection with the Retirement Systems administered by the Treasurer's office.*

[As introduced, this bill was identical to S632, as introduced by Sen. Nesbitt, which is currently in Senate Finance.]

## CURRENT LAW:

Under current law, The State Treasurer is authorized to invest the assets of the all of the State administered retirement systems. The law includes several limitations on the amount and types of investments that can be made with these funds.

The law also authorizes the State Treasurer to appoint an Investment Advisory Committee. The Committee consists of five members: The State Treasurer, two members from the board of trustees of the Retirement System, and two public members. The public members must have experience in one or more of the following areas: investment management, real estate investment trusts, real estate development, venture capital investment, or absolute return strategies. The committee has only advisory powers.

## BILL ANALYSIS:

House Bill 556 amends the law to increase the membership of the Investment Advisory Committee from five to seven members, with the two additional members to be appointed by the Treasurer as public members. The bill also changes the experience requirements for the public members by removing the requirement for experience in real estate investment trusts and venture capital investments, and substituting experience in securities law.

The new section added by the PCS is entitled "Discharge of duties to Retirement Systems." The section provides that with respect to the Retirement Systems administered by the Treasurer, the Treasurer shall discharge his or her duties as follows:

- Solely in the interest of participants and beneficiaries.
- For the exclusive purpose of providing benefits and paying reasonable administrative expenses.
- With the care, skill, and caution under the circumstances that a prudent person who was familiar with the matters would use in a like situation.

# House Bill 556

Page 2

- Impartially, taking into account the differing interests of participants and beneficiaries.
- Incurring only appropriate and reasonable costs.
- In accordance with a good-faith interpretation of the law governing the Retirement Systems.

The new section also sets standards to be used by the Treasurer in investing and managing the assets of the Retirement Systems, including that the Treasurer:

- Shall consider the following circumstances:
  - General economic conditions.
  - The possible effects of inflation or deflation.
  - The role of each investment in the overall portfolio.
  - The expected total return and the appreciation of capital.
  - Needs for liquidity, regular income, and preservation or appreciation of capital.
  - The adequacy of funding based on reasonable actuarial factors.
- Shall diversify the investments unless the Treasurer determines it is clearly not prudent to do so.
- Shall make reasonable efforts to verify relevant facts.
- May invest in any kind of real property which the State is authorized to acquire under Article 6 of Chapter 146.
- May consider other benefits created by an investment in addition to return on the investment, only if the investment would be prudent even without the collateral benefit.

The Treasurer's compliance with this standard must be determined based on the facts and circumstances at the time the decision was made, not using hindsight. In addition, the Treasurer's investment and management decisions must be evaluated in light of the portfolio as a whole and as part of an overall investment strategy.

**EFFECTIVE DATE:** This act is effective when it becomes law.

*H556-SMRO-31(CSLA-7) v1*

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

D

HOUSE BILL 556  
PROPOSED COMMITTEE SUBSTITUTE H556-PCS50610-LA-7

Short Title: Treasurer's Governance & Transparency Act.

(Public)

Sponsors:

Referred to:

March 12, 2009

1 A BILL TO BE ENTITLED  
2 AN ACT TO ENACT THE TREASURER'S GOVERNANCE AND TRANSPARENCY ACT  
3 OF 2009.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 147-69.2(b1) reads as rewritten:

6 "(b1) With respect to investments authorized by ~~subsections (b)(8)~~ subdivisions (b)(7),  
7 (b)(8), and (b)(9) of this section, the State Treasurer shall appoint an Investment Advisory  
8 Committee, which shall consist of ~~five~~ seven members: the State Treasurer, who shall be  
9 chairman ex officio; two members selected from among the members of the boards of trustees  
10 of the Retirement Systems; and ~~two~~ four members selected from the general public. The ~~two~~  
11 four public members must have experience in areas relevant to the administration of a large,  
12 diversified investment program, including, but not limited to, one or more of the following  
13 areas: investment management, real estate investment trusts, real estate development, venture  
14 capital investment, or absolute return strategies. ~~investment management, securities law, real~~  
15 ~~estate development, or absolute return strategies.~~ The State Treasurer shall also appoint a  
16 Secretary of the Investment Advisory Committee who need not be a member of the committee.  
17 Members of the committee shall receive for their services the same per diem and allowances  
18 granted to members of the State boards and commissions generally. The committee shall have  
19 advisory powers only and membership shall not be deemed a public office within the meaning  
20 of Article VI, Section 9 of the Constitution of North Carolina or G.S. 128-1.1."

21 **SECTION 2.** Article 6 of Chapter 147 of the General Statutes is amended by  
22 adding a new section to read:

23 **"§ 147-69.7. Discharge of duties to Retirement Systems.**

24 (a) The Treasurer shall discharge his or her duties with respect to the Teachers' and  
25 State Employees' Retirement System, the Consolidated Judicial Retirement System, the  
26 Firemen's and Rescue Workers' Pension Fund, the Local Governmental Employees' Retirement  
27 System, the Legislative Retirement System, and the North Carolina National Guard Pension  
28 Fund (hereinafter referred to collectively as the Retirement Systems) as follows:

29 (1) Solely in the interest of the participants and beneficiaries.

30 (2) For the exclusive purpose of providing benefits to participants and  
31 beneficiaries and paying reasonable expenses of administering the  
32 Retirement Systems.



- 1           (3)   With the care, skill, and caution under the circumstances then prevailing  
2               which a prudent person acting in a like capacity and familiar with those  
3               matters would use in the conduct of an activity of like character and purpose.  
4           (4)   Impartially, taking into account any differing interests of participants and  
5               beneficiaries.  
6           (5)   Incurring only costs that are appropriate and reasonable.  
7           (6)   In accordance with a good-faith interpretation of the law governing the  
8               Retirement Systems.  
9       (b)   In investing and managing assets of the Retirement Systems pursuant to subsection  
10   (a) of this section, the Treasurer:  
11       (1)   Shall consider the following circumstances:  
12           a.   General economic conditions.  
13           b.   The possible effect of inflation or deflation.  
14           c.   The role that each investment or course of action plays within the  
15               overall portfolio of the Retirement Systems.  
16           d.   The expected total return from income and the appreciation of  
17               capital.  
18           e.   Needs for liquidity, regularity of income, and preservation or  
19               appreciation of capital.  
20           f.   The adequacy of funding for the Retirement Systems based on  
21               reasonable actuarial factors.  
22       (2)   Shall diversify the investments of the Retirement Systems unless the  
23               Treasurer reasonably determines that, because of special circumstances, it is  
24               clearly prudent not to do so.  
25       (3)   Shall make a reasonable effort to verify facts relevant to the investment and  
26               management of assets of the Retirement Systems.  
27       (4)   May invest in any kind of property or type of investment consistent with the  
28               provisions of Article 6 of Chapter 146 of the General Statutes.  
29       (5)   May consider benefits created by an investment in addition to investment  
30               return only if the Treasurer determines that the investment providing these  
31               collateral benefits would be prudent even without collateral benefits.  
32       (c)   Compliance by the Treasurer with this section must be determined in light of the  
33       facts and circumstances existing at the time of the Treasurer's decision or action and not by  
34       hindsight.  
35       (d)   The Treasurer's investment and management decisions must be evaluated not in  
36       isolation but in the context of the portfolio of the Retirement Systems as a whole and as part of  
37       an overall investment strategy having risk and return objectives reasonably suited to the  
38       Retirement Systems."  
39       **SECTION 3.** This act is effective when it becomes law.

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☐ Committee Substitute for

**HB 556** A BILL TO BE ENTITLED AN ACT TO ENACT THE TREASURER'S GOVERNANCE AND TRANSPARENCY ACT OF 2009.

☒ With a favorable report as to the committee substitute bill, unfavorable as to the original bill, and recommendation that the committee substitute bill be re-referred to the Committee on FINANCE.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No: \_\_\_\_\_) is placed on the Unfavorable Calendar.

0556

H.B. \_\_\_\_\_

SESSION LAW \_\_\_\_\_

## A BILL TO BE ENTITLED

AN ACT TO ENACT THE TREASURER'S GOVERNANCE AND TRANSPARENCY ACT OF 2009.

*John McGee*  
 Introduced by Representative(s): Folwell, McGee, Owens, and Randleman (Primary Sponsors).

*C. Justice* \_\_\_\_\_ *Lewis* \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

Principal Clerk's Use Only

PASSED 1st READING

MAR 12 2009

AND REFERRED TO COMMITTEE

~~Intersession~~

*ment, of Gov*  
*Finance*

Committee on ~~Pensions and Retirement~~  
 City being present, having considered  
 it, recommend that it do ☒ pass,

*Lip Russell Tucker*  
~~For the Committee~~

*re-referred to Committee on Finance*

REPORTED FAVORABLY MAR 18 2009

*re-referred to Finance*

ON MOTION OF  
 REP. *(Owens)*  
 WITHDRAWN FROM  
*Finance*

APR 2 2009

RECOMMITTED TO

*Pensions & Ret. of Gov*

*Finance*

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

H

1

**HOUSE BILL 1507\***

Short Title: State Treasurer Investments.

(Public)

Sponsors: Representative Gibson.

Referred to: Pensions and Retirement, if favorable, Finance.

April 15, 2009

A BILL TO BE ENTITLED  
AN ACT CONCERNING INVESTMENTS OF THE STATE TREASURER.  
The General Assembly of North Carolina enacts:

**SECTION 1. G.S. 147-69.2 reads as rewritten:  
"§ 147-69.2. Investments authorized for special funds held by State Treasurer.**

(a) This section applies to funds held by the State Treasurer to the credit of each of the following:

- (1) The Teachers' and State Employees' Retirement System.
- (2) The Consolidated Judicial Retirement System.
- (3) The Teachers' and State Employees' Hospital and Medical Insurance Plan.
- (4) The General Assembly Medical and Hospital Care Plan.
- (5) The Disability Salary Continuation Plan.
- (6) The Firemen's and Rescue Workers' Pension Fund.
- (7) The Local Governmental Employees' Retirement System.
- (8) The Legislative Retirement System.
- (9) The Escheat Fund.
- (10) The Legislative Retirement Fund.
- (11) The State Education Assistance Authority.
- (12) The State Property Fire Insurance Fund.
- (13) The Stock Workers' Compensation Fund.
- (14) The Mutual Workers' Compensation Fund.
- (15) The Public School Insurance Fund.
- (16) The Liability Insurance Trust Fund.
- (16a) The University of North Carolina Hospitals at Chapel Hill funds, except appropriated funds, deposited with the State Treasurer pursuant to G.S. 116-37.2.
- (17) Trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1.
- (17a) North Carolina Veterans Home Trust Fund.
- (17b) North Carolina National Guard Pension Fund.
- (17c) Retiree Health Premium Reserve Account.
- (17d) The Election Fund.
- (17e) The North Carolina State Lottery Fund.
- (17f) Funds deposited with the State Treasurer by public hospitals pursuant to G.S. 159-39(g).
- (17g) The Local Government Other Post-Employment Benefits Fund.



\* H 1 5 0 7 - V - 1 \*

- 1 (17h) The Local Government Law Enforcement Special Separation Allowance  
2 Fund.
- 3 (17i) The North Carolina Conservation Easement Endowment Fund.
- 4 (17j) The Conservation Grant Fund.
- 5 (18) Any other special fund created by or pursuant to law for purposes other than  
6 meeting appropriations made pursuant to the Executive Budget Act.
- 7 (19) The Swain County Settlement Trust Fund.
- 8 (b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated  
9 in subsection (a) of this section in excess of the amount required to meet the current needs and  
10 demands on such funds, selecting from among the following:
- 11 (1) Any of the investments authorized by G.S. 147-69.1(c)(1)-(7).
- 12 (2) General obligations of other states of the United States.
- 13 (3) General obligations of cities, counties and special districts in North Carolina.
- 14 (4) Obligations of any company, other organization or legal entity incorporated  
15 or otherwise created or located within or outside the United States ~~States~~,  
16 including obligations that are convertible into equity securities, if the  
17 obligations either (i) when acquired, bear one of the four highest ratings of at  
18 least one nationally recognized rating service and do not bear a rating below  
19 the four highest by any nationally recognized rating service which rates the  
20 particular security-security or (ii) when acquired, bear the fifth highest rating  
21 of at least one nationally recognized rating service and do not bear a rating  
22 below the fifth highest rating by any nationally recognized rating service  
23 which rates the particular security, provided that the obligations are  
24 additional securities that are identical to obligations previously acquired  
25 pursuant to sub clause (i).
- 26 (5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.
- 27 (6) Asset-backed securities (whether considered debt or equity) ~~provided they if~~  
28 the securities either (i) when acquired, bear ratings by nationally recognized  
29 rating services as provided in G.S. 147-69.2(b)(4) subdivision (4) of this  
30 subsection and that they do not bear a rating below the four highest by any  
31 nationally recognized rating service that rates the particular  
32 securities-security or (ii) when acquired, bear the fifth highest rating of at  
33 least one nationally recognized rating service and do not bear a rating below  
34 the fifth highest rating by any nationally recognized rating service which  
35 rates the particular security, provided that the securities are additional  
36 securities that are identical to securities previously acquired pursuant to sub  
37 clause (i).
- 38 (6a) In addition to the limitations and requirements with respect to the  
39 investments of the Retirement Systems set forth in subsection (b) of this  
40 section, the State Treasurer shall select investments of the assets of the  
41 Retirement Systems such that investments made pursuant to subdivisions (b)  
42 (1) through (6) of this section shall at all times equal or exceed twenty  
43 percent (20%) of the market value of all invested assets of the Retirement  
44 Systems.
- 45 (6b) Investments pursuant to subdivisions (b)(1) through (6) of this section may  
46 be made directly by the State Treasurer or through contractual arrangements  
47 in which the investment manager has full and complete discretion and  
48 authority to invest assets specified in such arrangements in investments  
49 authorized by subdivisions (b)(1) through (6) of this section, provided for  
50 each indirect investment, the investment manager has assets under  
51 management of at least one hundred million dollars (\$100,000,000).



(6c) With respect to Retirement Systems' assets referred to in subdivision (b)(8), they may be invested in obligations and other debt securities, including debt securities convertible into other securities, that do not meet the requirements of any of subdivisions (b)(1) through (6) of this section nor subdivision (b)(7) of this section, provided such investments are made through investment companies registered under the Investment Company Act of 1940, individual, common collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by this subdivision and through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by this subdivision, provided the investment manager for each investment pursuant to this subdivision has assets under management of at least one hundred million dollars (\$100,000,000) and provided that the investments authorized under this subdivision shall not exceed five percent (5%) of the market value of all invested assets of the Retirement Systems.

(7) With respect to Retirement Systems' assets referred to in G.S. 147-69.2(b)(8), subdivision (8) of this subsection, (i) insurance contracts that provide for participation in individual or pooled separate accounts of insurance companies, (ii) group trusts, (iii) individual, common, or collective trust funds of banks and trust companies, (iv) real estate investment trusts, and (v) investment companies registered under the Investment Company Act of 1940, and (vi) limited partnerships, whether described as limited liability partnerships companies, or other limited liability companies; investment vehicles; provided the investment manager has assets under management of at least one hundred million dollars (\$100,000,000); provided such investment assets are managed primarily for the purpose of investing in or owning real estate or related debt financing located within or outside the United States; and provided that the investment investments authorized by this subsection-subdivision shall not exceed ten percent (10%) of the market value of all invested assets of the Retirement Systems.

(8) With respect to assets of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firemen's and Rescue Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina National Guard Pension Fund (hereinafter referred to collectively as the Retirement Systems), and assets invested pursuant to subdivision (b2) of this section, they may be invested in preferred or common stock equity securities traded on a public securities exchange or market organized and regulated pursuant to the laws of the jurisdiction of such exchange or market and issued by any company incorporated or otherwise created or located within or outside the United States-States; provided the investments meet the conditions of this subdivision.

The investments authorized for the Retirement Systems under this subdivision cannot exceed sixty-five percent (65%) of the market value of all invested assets of the Retirement Systems. Up to five percent (5%) of the amount that may be invested under this subdivision may be invested in the stocks or shares of a diversified investment company registered under the "Investment Company Act of 1940" that has total So long as each

1 investment manager has assets under management of at least fifty million  
2 dollars (\$50,000,000).one hundred million dollars (\$100,000,000), the The  
3 assets authorized under this subdivision can be invested through (i)  
4 investment companies registered under the Investment Company Act of  
5 1940; (ii) individual, common, or collective trust funds of banks, banks and  
6 trust companies, and group trust funds of investment advisory companies so  
7 long as the investment manager has assets under management of at least one  
8 hundred million dollars (\$100,000,000).(iii) group trusts, and (iv) contractual  
9 arrangements in which investment managers have full and complete  
10 discretion and authority to invest assets specified in such contractual  
11 arrangements.

12 The assets authorized under ~~this subdivisionsubdivision~~ (8) of this  
13 subsection can also be invested directly, if all of the following conditions are  
14 met:

- 15 a. ~~The common stock or preferred stock of such corporation is~~  
16 ~~registered on a national securities exchange as provided in the~~  
17 ~~Federal Securities Exchange Act or quoted through the National~~  
18 ~~Association of Securities Dealers' Automated Quotations (NASDAQ)~~  
19 ~~system.~~  
20 b. ~~The corporation has paid a cash dividend on its common stock in~~  
21 ~~each year of the 5-year period next preceding the date of investment~~  
22 ~~and the aggregate net earnings available for dividends on the~~  
23 ~~common stock of the corporation for the whole of that period have~~  
24 ~~been at least equal to the amount of the dividends paid.~~  
25 c. ~~In applying the dividend and earnings test under this section to any~~  
26 ~~issuing, assuming, or guaranteeing corporation, if the corporation~~  
27 ~~acquired its property or any substantial part thereof within a five-year~~  
28 ~~period immediately preceding the date of investment by~~  
29 ~~consolidation, merger, or by the purchase of all or a substantial~~  
30 ~~portion of the property of any other corporation or corporations, or~~  
31 ~~acquired the assets of any unincorporated business enterprise by~~  
32 ~~purchase or otherwise, the dividends and net earnings of the several~~  
33 ~~predecessor or constituent corporations or enterprises shall be~~  
34 ~~consolidated and adjusted so as to ascertain whether or not the~~  
35 ~~applicable requirements of this subdivision have been complied with.~~  
36 ~~by the State Treasurer in any equity securities represented in the S&P~~  
37 ~~500 Index or that have been publicly announced to be included in the~~  
38 ~~S&P 500 Index. No more than one and one-half percent (1 1/2%) of~~  
39 ~~the market value of the Retirement Systems' assets that may be~~  
40 ~~invested directly under this subdivision can be invested in the stock~~  
41 ~~of a single corporation, and the total number of shares in that single~~  
42 ~~corporation cannot exceed eight percent (8%) of the issued and~~  
43 ~~outstanding stock of that corporation.~~  
44 d. to f. Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.  
45 g. ~~That investments may be made in securities convertible into common~~  
46 ~~stocks issued by any such company, if such securities bear one of the~~  
47 ~~four highest ratings of at least one nationally recognized rating~~  
48 ~~service and do not bear a rating below the four highest by any~~  
49 ~~nationally recognized rating service which may then rate the~~  
50 ~~particular security.~~

(9) With respect to Retirement Systems' assets, as defined in subdivision (b)(8) of this subsection, they may be invested in ~~limited partnership interests in a partnership or in interests in a limited liability company~~ interests in limited partnerships, limited liability companies, or other limited liability investment vehicles that are not publicly traded if the primary purpose of the ~~partnership or limited liability company~~ limited partnership, limited liability company, or other limited liability investment vehicle is to invest in public or private debt, ~~public or private~~ equity, or corporate buyout transactions, within or outside the United States. The amount invested under this subdivision (b)(9) shall not exceed five percent (5%) of the market value of all invested assets of the Retirement Systems.

(9a) With respect to Retirement Systems' assets, as defined in subdivision (b)(8) of this subsection, they may be invested in inflation-linked bonds, timberlands, commodities, and other assets that are acquired for the primary purpose of providing protection against risks associated with inflation, provided such investments are made through investment companies registered under the Investment Company Act of 1940, individual, common or collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by this subdivision and through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by this subdivision, provided the investment manager for each investment pursuant to this subdivision has assets under management of at least one hundred million dollars (\$100,000,000) and provided that the investments authorized under this subdivision shall not exceed five percent (5%) of the market value of all invested assets of the Retirement Systems. Notwithstanding anything in this subsection to the contrary, the investments authorized by this subdivision shall not be included in any subdivision other than this subdivision for purposes of the percentage investment limitations therein or otherwise.

(10) Recodified as part of subdivision (b)(9) by Session Laws 2000-160, s. 2.

(11) With respect to assets of the Escheat Fund, obligations of the North Carolina Global TransPark Authority authorized by G.S. 63A-4(a)(22), not to exceed twenty-five million dollars (\$25,000,000), that have a final maturity not later than October 1, 2009. The obligations shall bear interest at the rate set by the State Treasurer. No commitment to purchase obligations may be made pursuant to this subdivision after September 1, 1993, and no obligations may be purchased after September 1, 1994. In the event of a loss to the Escheat Fund by reason of an investment made pursuant to this subdivision, it is the intention of the General Assembly to hold the Escheat Fund harmless from the loss by appropriating to the Escheat Fund funds equivalent to the loss.

If any part of the property owned by the North Carolina Global TransPark Authority now or in the future is divested, proceeds of the divestment shall be used to fulfill any unmet obligations on an investment made pursuant to this subdivision.

(12) With respect to assets of the Escheat Fund, in addition to those investments authorized by subdivisions (1) through (6) of this ~~subsection~~ subsection (b), up to twenty percent (20%) of such assets may be invested in the investments authorized under subdivisions (7) through (9) of this

~~subsection, subsection~~ (b) notwithstanding the percentage limitations imposed on the ~~retirement funds~~ Retirement Systems' investments under those subdivisions.

(b1) With respect to investments authorized by ~~subsections~~ subdivisions (b)(8) and (b)(9) of this section, the State Treasurer shall appoint an Investment Advisory Committee, which shall consist of five members: the State Treasurer, who shall be chairman ex officio; two members selected from among the members of the boards of trustees of the Retirement Systems; and two members selected from the general public. The two public members must have experience in one or more of the following areas: investment management, real estate investment trusts, real estate development, venture capital investment, or absolute return strategies. The State Treasurer shall also appoint a Secretary of the Investment Advisory Committee who need not be a member of the committee. Members of the committee shall receive for their services the same per diem and allowances granted to members of the State boards and commissions generally. The committee shall have advisory powers only and membership shall not be deemed a public office within the meaning of Article VI, Section 9 of the Constitution of North Carolina or G.S. 128-1.1.

(b2) The State Treasurer may invest funds deposited pursuant to subdivision (a)(17f) of this section in any of the investments authorized under subdivisions (1) through ~~(6)(6)~~, subdivision (6c) and subdivision (8) of subsection (b) (8)(b) of this section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. The State Treasurer may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and may assess a reasonable ~~fee, fees~~, not to exceed 15 basis ~~points, points~~ per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant to this subsection by a hospital shall remain the funds of that hospital, and interest or other investment income earned thereon shall be prorated and credited to the contributing hospital on the basis of the amounts thereof contributed, figured according to sound accounting principles. Fees assessed by the State Treasurer may be used to defray the cost of administering investments pursuant to this subdivision.

(b3) The State Treasurer may invest funds deposited pursuant to subdivision (a)(16a) of this section in any of the investments authorized under subdivisions (1) through ~~(6)(6)~~, subdivision (6c) and subdivision (8) of subsection (b) subdivision (b)(8) of this section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. The State Treasurer may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and may assess a reasonable ~~fee, fees~~, not to exceed 15 basis ~~points, points~~ per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant to this subsection by the University of North Carolina Hospitals at Chapel Hill shall remain the funds of the University of North Carolina Hospitals at Chapel Hill, and interest or other investment income earned thereon shall be prorated and credited to the University of North Carolina Hospitals at Chapel Hill on the basis of the amounts thereof contributed, figured according to sound accounting principles. Fees assessed by the State Treasurer may be used to defray the cost of administering investments pursuant to this subdivision.

(b4) In addition to the investments authorized under subdivisions (b)(1) through ~~(b)(6)~~ of this section, the State Treasurer may invest funds deposited in the Local Government Other Post-Employment Benefits Fund in any of the investments authorized under subdivision subdivisions (b)(6c) and (b)(8) of this section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. For investments from that Fund made under ~~subdivision~~ subdivisions (b)(6c) and (b)(8) of this section, the State Treasurer may require a minimum deposit of up to one hundred thousand dollars (\$100,000) and may assess a ~~fee, fees~~ of up to 15 basis points per annum as a condition of making the investment. The fee may be used to defray the costs of administering the Fund.

1 (b5). In addition to the investments authorized under subdivisions (b)(1) through ~~(b)(6)~~ of  
2 this section, the State Treasurer may invest funds deposited in the Local Government Law  
3 Enforcement Special Separation Allowance Fund in any of the investments authorized under  
4 subdivision subdivisions (b)(6c) and (b)(8) of this section-section, notwithstanding the  
5 percentage limitations imposed on the Retirement Systems' investments therein. For  
6 investments from that Fund made under ~~subdivision subdivisions~~ (b)(6c) and (b)(8) of this  
7 section, the State Treasurer may require a minimum deposit of up to one hundred thousand  
8 dollars (\$100,000) and may assess a ~~fee~~fees of up to 15 basis points per annum as a condition  
9 of making the investment. The fee may be used to defray the costs of administering the Fund.

10 (c) Repealed by Session Laws 1995, c. 501, s. 2.

11 (d) The State Treasurer may invest funds deposited pursuant to subdivision (a)(17i) of  
12 this section in any of the investments authorized under subdivisions (1) through (6) and  
13 subdivision (8) of subsection (b) of this section. The State Treasurer may require a minimum  
14 deposit, up to one hundred thousand dollars (\$100,000), and may assess a reasonable fee, not to  
15 exceed 15 basis points, as a condition of participation pursuant to this subsection. Funds  
16 deposited pursuant to this subsection shall remain the funds of the North Carolina Conservation  
17 Easement Endowment Fund, and interest or other investment income earned thereon shall be  
18 prorated and credited to the North Carolina Conservation Easement Endowment Fund on the  
19 basis of the amounts thereof contributed, figured according to sound accounting principles."

20 **SECTION 2.** This act is effective when it becomes law.



# HOUSE BILL 1507: State Treasurer Investments

2009-2010 General Assembly

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<b>Committee:</b>	House Pensions and Retirement, if favorable, Finance	<b>Date:</b>	April 28, 2009
<b>Introduced by:</b>	Rep. Gibson	<b>Prepared by:</b>	Theresa Matula
<b>Analysis of:</b>	PCS to First Edition H1507-CSSH-36		Committee Staff

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**SUMMARY:** *House Bill 1507 allows the State Treasurer more flexibility with regard to the investment of certain special funds.*

*The PCS makes technical changes to correct a reference to a subsection and subdivision.*

[As introduced, this bill was identical to S703, as introduced by Sen. Rand, which is currently in Senate Finance.]

## CURRENT LAW:

Chapter 147 pertains to State Officers, Article 6 pertains to the Treasurer.

G.S. 147-69.2 pertains to investments authorized for special funds held by the State Treasurer.

G.S. 147-69.2.(a) lists the funds held by the State Treasurer as follows:

- |   |   |
|---|---|
| (1) The Teachers' and State Employees' Retirement System.   | (17) Trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1. |
| (2) The Consolidated Judicial Retirement System.  |   |
| (3) The Teachers' and State Employees' Hospital and Medical Insurance Plan.   | (17a) North Carolina Veterans Home Trust Fund.  |
| (4) The General Assembly Medical and Hospital Care Plan.  | (17b) North Carolina National Guard Pension Fund.   |
| (5) The Disability Salary Continuation Plan.  | (17c) Retiree Health Premium Reserve Account.   |
| (6) The Firemen's and Rescue Workers' Pension Fund.   | (17d) The Election Fund.  |
| (7) The Local Governmental Employees' Retirement System.  | (17e) The North Carolina State Lottery Fund.  |
| (8) The Legislative Retirement System.  | (17f) Funds deposited with the State Treasurer by public hospitals pursuant to G.S. 159-39(g).  |
| (9) The Escheat Fund.   | (17g) The Local Government Other Post-Employment Benefits Fund.   |
| (10) The Legislative Retirement Fund.   | (17h) The Local Government Law Enforcement Special Separation Allowance Fund.   |
| (11) The State Education Assistance Authority.  | (17i) The North Carolina Conservation Easement Endowment Fund.  |
| (12) The State Property Fire Insurance Fund.  | (17j) The Conservation Grant Fund.  |
| (13) The Stock Workers' Compensation Fund.  | (18) Any other special fund created by or pursuant to law for purposes other than meeting appropriations made pursuant to the Executive Budget Act. |
| (14) The Mutual Workers' Compensation Fund.   |   |
| (15) The Public School Insurance Fund.  | (19) The Swain County Settlement Trust Fund.  |
| (16) The Liability Insurance Trust Fund.  |   |
| (16a) The University of North Carolina Hospitals at Chapel Hill funds, except appropriated funds, deposited with the State Treasurer pursuant to G.S. 116-37.2. |   |

**Investment Company Act of 1940** – According to the U.S. Securities and Exchange Commission, "this Act regulates the organization of companies, including mutual funds, that engage primarily in investing, reinvesting, and trading in securities, and whose own securities are offered to the investing public. The regulation is designed to minimize conflicts of interest that arise in these complex operations. The Act requires these companies to disclose their financial condition and investment policies to investors when stock is initially sold and, subsequently, on a regular basis. The focus of this Act is on disclosure to the investing public of information

# House Bill 1507

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about the fund and its investment objectives, as well as on investment company structure and operations. It is important to remember that the Act does not permit the SEC to directly supervise the investment decisions or activities of these companies or judge the merits of their investments."

## BILL ANALYSIS:

House Bill 1507 amends G.S. 147-69.2(b) which pertains to the duty of the State Treasurer to invest the cash of the funds in G.S. 147-69.2(a) (see current law above) in order to exceed the amount required to meet the needs and demands of the funds. The subdivisions under G.S. 147-69.2(b) are amended as follows:

- (4) Amended to include obligations that are convertible into equity securities, in addition to the obligations described in the current law, and specifies that the obligations either -
  - (i) when acquired, bear one of the four highest ratings of at least one nationally recognized rating service and do not bear a rating below the four highest by any nationally recognized ratings service which rates the particular security, or
  - (ii) when acquired, bear the fifth highest rating of at least one nationally recognized rating service and do not bear a rating below the fifth highest rating by any nationally recognized rating service which rates the particular security, provided that the obligations are additional securities that are identical to obligations previously acquired pursuant to (i).
- (6) Amended to specify that with regard to asset-backed securities, they must either-
  - (i) when acquired, bear ratings by nationally recognized rating services as provided in subdivision (4) and do not bear a rating below the four highest by any nationally recognized rating service that rates the particular security, or
  - (ii) when acquired, bear the fifth highest rating of at least one nationally recognized rating service and do not bear a rating below the fifth highest rating by any nationally recognized rating service which rates the particular security, provided that the securities are additional securities that are identical to securities previously acquired pursuant to (i).
- (6a) Adds this new subdivision to specify that in addition to the limitations and requirements set forth in this subsection, the State Treasurer must select investments of the assets of the Retirement Systems so that investments made pursuant to subdivisions (b)(1)-(6) must always equal or exceed 20% of the market value of all invested assets of the Retirement Systems.
- (6b) Adds this new subdivision to specify that investments made pursuant to subdivisions (b)(1)-(6) may be made directly by the State Treasurer or through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by subdivisions (b)(1)-(6), provided for each indirect investment, the investment manager has assets under management of at least \$100,000.00.
- (6c) Adds this new subdivision to specify that with respect to the assets of the Teachers' and State Employees' Retirement System (TSERS), the Consolidated Judicial Retirement System (CJRS), the Firemen's and Rescue Workers' Pension Fund, the Local Governmental Employees' Retirement System (LGERS), the Legislative Retirement System, and the North Carolina National Guard Pension Fund, collectively referred to as Retirement Systems', may be invested in obligations and other debt securities, including debt securities convertible into other securities, that do not meet the requirements of subdivisions (b)(1)-(6) and (7),
  - provided the investments are made through the following: investment companies registered under the Investment Company Act of 1940, individual, common collective

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trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by the subdivision,

- and through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by the subdivision,
- provided the investment manager for each investment pursuant to the subdivision has assets under management of at least \$100,000,000,
- and provided the investments authorized under the subdivision do not exceed 5% of the market value of all invested assets of the Retirement Systems'.

- (7) Amends this subdivision to include "investment companies registered under the Investment Company Act of 1940," and to amend existing language to read "limited partnerships, limited liability companies, or other limited liability investment vehicles" as it pertains to Retirement Systems' assets invested pursuant to subdivision (8).

- (8) Amends the subdivision to allow Retirement Systems' funds to be invested in "equity securities traded on a public securities exchange or market organized and regulated pursuant to the laws of the jurisdiction of such exchange or market", replacing "preferred or common stocks". According to the Treasurer's Investment Management Division, "equity securities traded on a public securities exchange or market organized and regulated pursuant to the laws of the jurisdiction of such exchange or market," includes securities that represent equity exposure but are classified as a unit rather than a stock. (The example they provided was: S&P 500 ETF is traded on the same stock exchange as the stocks that make up the S&P 500 but it is classified as a unit. This means they would need to trade 500 times to change exposure to the S&P 500 incurring transaction costs on each trade instead of trading S&P 500 ETF units.) According to the Investment Division, the provider actually holds all the underlying stocks represented by the unit so the risk is same as holding all 500 stocks, but provides flexibility in managing the portfolio. According to the Investment Division, these securities did not exist when original legislation was written.

- The allowance that up to 5% may be invested in the stocks or shares of a diversified investment company registered under the Investment Company Act of 1940 and that has total assets of \$50,000 is deleted. The subdivision is amended with a requirement that as long as each investment manager has assets under management of at least \$100,000,000, the assets authorized under the subdivision can be invested through the following:
  - (i) investment companies registered under the Investment Company Act of 1940;
  - (ii) individual, common, or collective trust funds of banks and trust companies;
  - (iii) group trusts, and
  - (iv) contractual arrangements in which investment managers have full and complete discretion and authority to invest assets specified in such contractual arrangements.
- The subdivision is amended to allow the Retirement Systems' assets to be invested directly by the State Treasurer in any equity securities represented, or publicly announced to be included, in the S&P 500 Index.
- The bill deletes current language in the subdivision containing certain requirements related to Retirement Systems' assets being invested directly in common or preferred stock registered on a national securities exchange and requiring the corporation to have paid a cash dividend within a certain time frame, and also deletes requirements pertaining



# House Bill 1507

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to the acquisition of property by any issuing, assuming, or guaranteeing corporation. Additionally, it deletes requirements pertaining to when investments may be made in securities convertible into common stocks.

- (9) This subdivision is amended to allow Retirement Systems' asset to be invested in interests in limited partnerships, limited liability companies, or other limited liability investment vehicles that are not publicly traded if the primary purpose is to invest in public or private equity or corporate buyout transactions within or outside the US. Current law limits, but this bill clarifies, that the amount invested under (b)(9) can not exceed 5% of the market value of all invested assets of the Retirement Systems.
- (9a) Adds this new subdivision to permit Retirement Systems' assets, as defined in (b)(8) to be invested in inflation-linked bonds, timberlands, commodities, and other assets that are acquired for the primary purpose of providing protection against risks associated with inflation, provided the investments are made as previously prescribed in other subdivision changes, and that the investments not exceed 5% of the market value of all invested assets of the Retirement Systems. Also specifies that the investments authorized by this subdivision can not be included in any other subdivision for purposes of the percentage investment limitations.

G.S. 147-69.2(b2) is amended with regard to funds deposited with the State Treasurer by *public hospitals pursuant to G.S. 159-39(g)* to allow the Treasurer to invest these funds as prescribed in subdivision (6c) and subdivision (8) of subsection (b), notwithstanding the percentage limitations imposed on the Retirement Systems' investments. The amendments further specify that the fees assessed under the current law may be used to defray the cost of administering investments.

G.S. 147-69.2(b3) is amended with regard to *The University of North Carolina Hospitals at Chapel Hill funds, except appropriated funds, deposited with the State Treasurer pursuant to G.S. 116-37.2* to allow the Treasurer to invest these funds as prescribed in subdivision (6c) and subdivision (8) of subsection (b) notwithstanding the percentage limitations imposed on the Retirement Systems' investments. The amendments further specify that the fees assessed under the current law may be used to defray the cost of administering investments.

G.S. 147-69.2(b4) is amended to allow, in addition to investments authorized in subdivisions (b)(1) through (6), the State Treasurer may invest funds deposited in the *Local Government Other Post-Employment Benefits Fund* as prescribed in subdivision (b)(6c) and subdivision (b)(8) notwithstanding the percentage limitations imposed on the Retirement Systems' investments.

The Proposed Committee Substitute makes only technical changes to the correct the reference to a subsection and subdivision.

## EFFECTIVE DATE:

House Bill 1507 would become effective when it becomes law.

H1507-SMSH-88(CSSH-36) v1

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

D

HOUSE BILL 1507\*  
PROPOSED COMMITTEE SUBSTITUTE H1507-CSSH-36 [v.2]

4/29/2009 9:11:54 AM

Short Title: State Treasurer Investments.

(Public)

Sponsors:

Referred to:

April 15, 2009

A BILL TO BE ENTITLED  
AN ACT CONCERNING INVESTMENTS OF THE STATE TREASURER.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 147-69.2 reads as rewritten:

"§ 147-69.2. Investments authorized for special funds held by State Treasurer.

(a) This section applies to funds held by the State Treasurer to the credit of each of the following:

- (1) The Teachers' and State Employees' Retirement System.
- (2) The Consolidated Judicial Retirement System.
- (3) The Teachers' and State Employees' Hospital and Medical Insurance Plan.
- (4) The General Assembly Medical and Hospital Care Plan.
- (5) The Disability Salary Continuation Plan.
- (6) The Firemen's and Rescue Workers' Pension Fund.
- (7) The Local Governmental Employees' Retirement System.
- (8) The Legislative Retirement System.
- (9) The Escheat Fund.
- (10) The Legislative Retirement Fund.
- (11) The State Education Assistance Authority.
- (12) The State Property Fire Insurance Fund.
- (13) The Stock Workers' Compensation Fund.
- (14) The Mutual Workers' Compensation Fund.
- (15) The Public School Insurance Fund.
- (16) The Liability Insurance Trust Fund.
- (16a) The University of North Carolina Hospitals at Chapel Hill funds, except appropriated funds, deposited with the State Treasurer pursuant to G.S. 116-37.2.
- (17) Trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1.
- (17a) North Carolina Veterans Home Trust Fund.
- (17b) North Carolina National Guard Pension Fund.
- (17c) Retiree Health Premium Reserve Account.
- (17d) The Election Fund.
- (17e) The North Carolina State Lottery Fund.



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- (17f) Funds deposited with the State Treasurer by public hospitals pursuant to G.S. 159-39(g).
- (17g) The Local Government Other Post-Employment Benefits Fund.
- (17h) The Local Government Law Enforcement Special Separation Allowance Fund.
- (17i) The North Carolina Conservation Easement Endowment Fund.
- (17j) The Conservation Grant Fund.
- (18) Any other special fund created by or pursuant to law for purposes other than meeting appropriations made pursuant to the Executive Budget Act.
- (19) The Swain County Settlement Trust Fund.
- (b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in subsection (a) of this section in excess of the amount required to meet the current needs and demands on such funds, selecting from among the following:
- (1) Any of the investments authorized by G.S. 147-69.1(c)(1)-(7).
  - (2) General obligations of other states of the United States.
  - (3) General obligations of cities, counties and special districts in North Carolina.
  - (4) Obligations of any company, other organization or legal entity incorporated or otherwise created or located within or outside the United States ~~States~~, including obligations that are convertible into equity securities, if the obligations either (i) when acquired, bear one of the four highest ratings of at least one nationally recognized rating service and do not bear a rating below the four highest by any nationally recognized rating service which rates the particular security or (ii) when acquired, bear the fifth highest rating of at least one nationally recognized rating service and do not bear a rating below the fifth highest rating by any nationally recognized rating service which rates the particular security, provided that the obligations are additional securities that are identical to obligations previously acquired pursuant to sub clause (i).
  - (5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.
  - (6) Asset-backed securities (whether considered debt or equity) ~~provided they if the securities either (i) when acquired, bear ratings by nationally recognized rating services as provided in G.S. 147-69.2(b)(4) subdivision (4) of this subsection and that they do not bear a rating below the four highest by any nationally recognized rating service that rates the particular securities or (ii) when acquired, bear the fifth highest rating of at least one nationally recognized rating service and do not bear a rating below the fifth highest rating by any nationally recognized rating service which rates the particular security, provided that the securities are additional securities that are identical to securities previously acquired pursuant to sub clause (i).~~
- (6a) In addition to the limitations and requirements with respect to the investments of the Retirement Systems set forth in subsection (b) of this section, the State Treasurer shall select investments of the assets of the Retirement Systems such that investments made pursuant to subdivisions (b) (1) through (6) of this section shall at all times equal or exceed twenty percent (20%) of the market value of all invested assets of the Retirement Systems.
- (6b) Investments pursuant to subdivisions (b)(1) through (6) of this section may be made directly by the State Treasurer or through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments

authorized by subdivisions (b)(1) through (6) of this section, provided for each indirect investment, the investment manager has assets under management of at least one hundred million dollars (\$100,000,000).

(6c) With respect to Retirement Systems' assets referred to in subdivision (b)(8), they may be invested in obligations and other debt securities, including debt securities convertible into other securities, that do not meet the requirements of any of subdivisions (b)(1) through (6) of this section nor subdivision (b)(7) of this section, provided such investments are made through investment companies registered under the Investment Company Act of 1940, individual, common collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by this subdivision and through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by this subdivision, provided the investment manager for each investment pursuant to this subdivision has assets under management of at least one hundred million dollars (\$100,000,000) and provided that the investments authorized under this subdivision shall not exceed five percent (5%) of the market value of all invested assets of the Retirement Systems.

(7) With respect to Retirement Systems' assets referred to in G.S. 147-69.2(b)(8), subdivision (8) of this subsection, (i) insurance contracts that provide for participation in individual or pooled separate accounts of insurance companies, (ii) group trusts, (iii) individual, common, or collective trust funds of banks and trust companies, (iv) real estate investment trusts, and (v) investment companies registered under the Investment Company Act of 1940, and (vi) limited partnerships, whether described as limited liability partnerships, companies, or other limited liability companies; investment vehicles; provided the investment manager has assets under management of at least one hundred million dollars (\$100,000,000); provided such investment assets are managed primarily for the purpose of investing in or owning real estate or related debt financing located within or outside the United States; and provided that the ~~investment investments~~ authorized by this ~~subsection-subdivision~~ shall not exceed ten percent (10%) of the market value of all invested assets of the Retirement Systems.

(8) With respect to assets of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firemen's and Rescue Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina National Guard Pension Fund (hereinafter referred to collectively as the Retirement Systems), and assets invested pursuant to subdivision (b2) of this section, they may be invested in ~~preferred or common stock~~ equity securities traded on a public securities exchange or market organized and regulated pursuant to the laws of the jurisdiction of such exchange or market and issued by any company incorporated or otherwise created or located within or outside the United States~~States~~; provided the investments meet the conditions of this subdivision.

The investments authorized for the Retirement Systems under this subdivision cannot exceed sixty-five percent (65%) of the market value of all invested assets of the Retirement Systems. ~~Up to five percent (5%) of the~~

1 amount that may be invested under this subdivision may be invested in the  
2 stocks or shares of a diversified investment company registered under the  
3 "Investment Company Act of 1940" that has total So long as each  
4 investment manager has assets under management of at least fifty million  
5 dollars (\$50,000,000)-one hundred million dollars (\$100,000,000), the The  
6 assets authorized under this subdivision can be invested through (i)  
7 investment companies registered under the Investment Company Act of  
8 1940; (ii) individual, common, or collective trust funds of banks, banks and  
9 trust companies, and group trust funds of investment advisory companies so  
10 long as the investment manager has assets under management of at least one  
11 hundred million dollars (\$100,000,000)-(iii) group trusts, and (iv) contractual  
12 arrangements in which investment managers have full and complete  
13 discretion and authority to invest assets specified in such contractual  
14 arrangements.

15 The assets authorized under this ~~subdivisionsubdivision~~ (8) of this  
16 subsection can also be invested directly, if all of the following conditions are  
17 met:

- 18 a. ~~The common stock or preferred stock of such corporation is~~  
19 ~~registered on a national securities exchange as provided in the~~  
20 ~~Federal Securities Exchange Act or quoted through the National~~  
21 ~~Association of Securities Dealers' Automated Quotations (NASDAQ)~~  
22 ~~system.~~  
23 b. ~~The corporation has paid a cash dividend on its common stock in~~  
24 ~~each year of the 5 year period next preceding the date of investment~~  
25 ~~and the aggregate net earnings available for dividends on the~~  
26 ~~common stock of the corporation for the whole of that period have~~  
27 ~~been at least equal to the amount of the dividends paid.~~  
28 e. ~~In applying the dividend and earnings test under this section to any~~  
29 ~~issuing, assuming, or guaranteeing corporation, if the corporation~~  
30 ~~acquired its property or any substantial part thereof within a five year~~  
31 ~~period immediately preceding the date of investment by~~  
32 ~~consolidation, merger, or by the purchase of all or a substantial~~  
33 ~~portion of the property of any other corporation or corporations, or~~  
34 ~~acquired the assets of any unincorporated business enterprise by~~  
35 ~~purchase or otherwise, the dividends and net earnings of the several~~  
36 ~~predecessor or constituent corporations or enterprises shall be~~  
37 ~~consolidated and adjusted so as to ascertain whether or not the~~  
38 ~~applicable requirements of this subdivision have been complied with.~~  
39 ~~by the State Treasurer in any equity securities represented in the S&P~~  
40 ~~500 Index or that have been publicly announced to be included in the~~  
41 ~~S&P 500 Index. No more than one and one-half percent (1 1/2%) of~~  
42 ~~the market value of the Retirement Systems' assets that may be~~  
43 ~~invested directly under this subdivision can be invested in the stock~~  
44 ~~of a single corporation, and the total number of shares in that single~~  
45 ~~corporation cannot exceed eight percent (8%) of the issued and~~  
46 ~~outstanding stock of that corporation.~~  
47 d. to f. Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.  
48 g. ~~That investments may be made in securities convertible into common~~  
49 ~~stocks issued by any such company, if such securities bear one of the~~  
50 ~~four highest ratings of at least one nationally recognized rating~~  
51 ~~service and do not bear a rating below the four highest by any~~

~~nationally recognized rating service which may then rate the particular security.~~

- (9) With respect to Retirement Systems' assets, as defined in subdivision (b)(8) of this subsection, they may be invested in ~~limited partnership interests in a partnership or in interests in a limited liability company~~ interests in limited partnerships, limited liability companies, or other limited liability investment vehicles that are not publicly traded if the primary purpose of the ~~partnership or limited liability company~~ limited partnership, limited liability company, or other limited liability investment vehicle is to invest in public or private debt, ~~public or private~~ equity, or corporate buyout transactions, within or outside the United States. The amount invested under this subdivision (b)(9) shall not exceed five percent (5%) of the market value of all invested assets of the Retirement Systems.

- (9a) With respect to Retirement Systems' assets, as defined in subdivision (b)(8) of this subsection, they may be invested in inflation-linked bonds, timberlands, commodities, and other assets that are acquired for the primary purpose of providing protection against risks associated with inflation, provided such investments are made through investment companies registered under the Investment Company Act of 1940, individual, common or collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by this subdivision and through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by this subdivision, provided the investment manager for each investment pursuant to this subdivision has assets under management of at least one hundred million dollars (\$100,000,000) and provided that the investments authorized under this subdivision shall not exceed five percent (5%) of the market value of all invested assets of the Retirement Systems. Notwithstanding anything in this subsection to the contrary, the investments authorized by this subdivision shall not be included in any subdivision other than this subdivision for purposes of the percentage investment limitations therein or otherwise.

- (10) Recodified as part of subdivision (b)(9) by Session Laws 2000-160, s. 2.

- (11) With respect to assets of the Escheat Fund, obligations of the North Carolina Global TransPark Authority authorized by G.S. 63A-4(a)(22), not to exceed twenty-five million dollars (\$25,000,000), that have a final maturity not later than October 1, 2009. The obligations shall bear interest at the rate set by the State Treasurer. No commitment to purchase obligations may be made pursuant to this subdivision after September 1, 1993, and no obligations may be purchased after September 1, 1994. In the event of a loss to the Escheat Fund by reason of an investment made pursuant to this subdivision, it is the intention of the General Assembly to hold the Escheat Fund harmless from the loss by appropriating to the Escheat Fund funds equivalent to the loss.

If any part of the property owned by the North Carolina Global TransPark Authority now or in the future is divested, proceeds of the divestment shall be used to fulfill any unmet obligations on an investment made pursuant to this subdivision.

- (12) With respect to assets of the Escheat Fund, in addition to those investments authorized by subdivisions (1) through (6) of this ~~subsection~~ subsection (b),

up to twenty percent (20%) of such assets may be invested in the investments authorized under subdivisions (7) through (9) of this ~~subsection, subsection (b)~~ notwithstanding the percentage limitations imposed on the ~~retirement funds~~ Retirement Systems' investments under those subdivisions.

(b1) With respect to investments authorized by ~~subsections~~ subdivisions (b)(8) and (b)(9) of this section, the State Treasurer shall appoint an Investment Advisory Committee, which shall consist of five members: the State Treasurer, who shall be chairman ex officio; two members selected from among the members of the boards of trustees of the Retirement Systems; and two members selected from the general public. The two public members must have experience in one or more of the following areas: investment management, real estate investment trusts, real estate development, venture capital investment, or absolute return strategies. The State Treasurer shall also appoint a Secretary of the Investment Advisory Committee who need not be a member of the committee. Members of the committee shall receive for their services the same per diem and allowances granted to members of the State boards and commissions generally. The committee shall have advisory powers only and membership shall not be deemed a public office within the meaning of Article VI, Section 9 of the Constitution of North Carolina or G.S. 128-1.1.

(b2) The State Treasurer may invest funds deposited pursuant to subdivision (a)(17f) of this section in any of the investments authorized under subdivisions ~~(b)(1) through (6)(6), subdivision (b)(6c), and subdivision (b)(8) 8 of subsection (b) of this section.~~ subsection (b)(6c), and subdivision (b)(8) 8 of subsection (b) of this section. notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. The State Treasurer may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and may assess a reasonable ~~fee, fees,~~ not to exceed 15 basis points, points per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant to this subsection by a hospital shall remain the funds of that hospital, and interest or other investment income earned thereon shall be prorated and credited to the contributing hospital on the basis of the amounts thereof contributed, figured according to sound accounting principles. Fees assessed by the State Treasurer may be used to defray the cost of administering investments pursuant to this subdivision.

(b3) The State Treasurer may invest funds deposited pursuant to subdivision (a)(16a) of this section in any of the investments authorized under subdivisions ~~(b)(1) through (6)(6), subdivision (b)(6c) and subdivision (b)(8) (8) of subsection (b) of this section.~~ subsection (b)(6c) and subdivision (b)(8) (8) of subsection (b) of this section. notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. The State Treasurer may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and may assess a reasonable ~~fee, fees,~~ not to exceed 15 basis points, points per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant to this subsection by the University of North Carolina Hospitals at Chapel Hill shall remain the funds of the University of North Carolina Hospitals at Chapel Hill, and interest or other investment income earned thereon shall be prorated and credited to the University of North Carolina Hospitals at Chapel Hill on the basis of the amounts thereof contributed, figured according to sound accounting principles. Fees assessed by the State Treasurer may be used to defray the cost of administering investments pursuant to this subdivision.

(b4) In addition to the investments authorized under subdivisions (b)(1) through ~~(b)(6)~~ of this section, the State Treasurer may invest funds deposited in the Local Government Other Post-Employment Benefits Fund in any of the investments authorized under subdivision subdivisions (b)(6c) and (b)(8) of this section. notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. For investments from that Fund made under ~~subdivision~~ subdivisions (b)(6c) and (b)(8) of this section, the State Treasurer may require a minimum deposit of up to one hundred thousand dollars (\$100,000) and may

1 assess ~~a fee~~fees of up to 15 basis points per annum as a condition of making the investment.  
2 The fee may be used to defray the costs of administering the Fund.

3 (b5) In addition to the investments authorized under subdivisions (b)(1) through ~~(b)(6)~~ of  
4 this section, the State Treasurer may invest funds deposited in the Local Government Law  
5 Enforcement Special Separation Allowance Fund in any of the investments authorized under  
6 subdivision subdivisions (b)(6c) and (b)(8) of this section~~section~~, notwithstanding the  
7 percentage limitations imposed on the Retirement Systems' investments therein. For  
8 investments from that Fund made under ~~subdivision subdivisions (b)(6c) and (b)(8) of this~~  
9 section, the State Treasurer may require a minimum deposit of up to one hundred thousand  
10 dollars (\$100,000) and may assess ~~a fee~~fees of up to 15 basis points per annum as a condition  
11 of making the investment. The fee may be used to defray the costs of administering the Fund.

12 (c) Repealed by Session Laws 1995, c. 501, s. 2.

13 (d) The State Treasurer may invest funds deposited pursuant to subdivision (a)(17i) of  
14 this section in any of the investments authorized under subdivisions (1) through (6) and  
15 subdivision (8) of subsection (b) of this section. The State Treasurer may require a minimum  
16 deposit, up to one hundred thousand dollars (\$100,000), and may assess a reasonable fee, not to  
17 exceed 15 basis points, as a condition of participation pursuant to this subsection. Funds  
18 deposited pursuant to this subsection shall remain the funds of the North Carolina Conservation  
19 Easement Endowment Fund, and interest or other investment income earned thereon shall be  
20 prorated and credited to the North Carolina Conservation Easement Endowment Fund on the  
21 basis of the amounts thereof contributed, figured according to sound accounting principles."

22 **SECTION 2.** This act is effective when it becomes law.



GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

D

HOUSE BILL 1507\*  
PROPOSED COMMITTEE SUBSTITUTE H1507-PCS30324-SH-36

Short Title: State Treasurer Investments.

(Public)

Sponsors:

Referred to:

April 15, 2009

A BILL TO BE ENTITLED  
AN ACT CONCERNING INVESTMENTS OF THE STATE TREASURER.  
The General Assembly of North Carolina enacts:

SECTION 1. G.S. 147-69.2 reads as rewritten:

**"§ 147-69.2. Investments authorized for special funds held by State Treasurer.**

(a) This section applies to funds held by the State Treasurer to the credit of each of the following:

- (1) The Teachers' and State Employees' Retirement System.
- (2) The Consolidated Judicial Retirement System.
- (3) ~~The Teachers' and State Employees' Hospital and Medical Insurance Plan.~~  
The State Health Plan for Teachers and State Employees.
- (4) The General Assembly Medical and Hospital Care Plan.
- (5) The Disability Salary Continuation Plan.
- (6) The Firemen's and Rescue Workers' Pension Fund.
- (7) The Local Governmental Employees' Retirement System.
- (8) The Legislative Retirement System.
- (9) The Escheat Fund.
- (10) The Legislative Retirement Fund.
- (11) The State Education Assistance Authority.
- (12) The State Property Fire Insurance Fund.
- (13) The Stock Workers' Compensation Fund.
- (14) The Mutual Workers' Compensation Fund.
- (15) The Public School Insurance Fund.
- (16) The Liability Insurance Trust Fund.
- (16a) The University of North Carolina Hospitals at Chapel Hill funds, except appropriated funds, deposited with the State Treasurer pursuant to G.S. 116-37.2.
- (17) Trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1.
- (17a) North Carolina Veterans Home Trust Fund.
- (17b) North Carolina National Guard Pension Fund.
- (17c) Retiree Health Premium Reserve Account.
- (17d) The Election Fund.
- (17e) The North Carolina State Lottery Fund.



- 1 (17f) Funds deposited with the State Treasurer by public hospitals pursuant to  
2 G.S. 159-39(g).
- 3 (17g) The Local Government Other Post-Employment Benefits Fund.
- 4 (17h) The Local Government Law Enforcement Special Separation Allowance  
5 Fund.
- 6 (17i) The North Carolina Conservation Easement Endowment Fund.
- 7 (17j) The Conservation Grant Fund.
- 8 (18) Any other special fund created by or pursuant to law for purposes other than  
9 meeting appropriations made pursuant to the Executive Budget Act.
- 10 (19) The Swain County Settlement Trust Fund.
- 11 (b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated  
12 in subsection (a) of this section in excess of the amount required to meet the current needs and  
13 demands on such funds, selecting from among the following:
- 14 (1) Any of the investments authorized by G.S. 147-69.1(c)(1)-(7).
- 15 (2) General obligations of other states of the United States.
- 16 (3) General obligations of cities, counties and special districts in North Carolina.
- 17 (4) Obligations of any company, other organization or legal entity incorporated  
18 or otherwise created or located within or outside the United States ~~States~~,  
19 including obligations that are convertible into equity securities, if the  
20 obligations either (i) when acquired, bear one of the four highest ratings of at  
21 least one nationally recognized rating service and do not bear a rating below  
22 the four highest by any nationally recognized rating service which rates the  
23 particular security-security or (ii) when acquired, bear the fifth highest rating  
24 of at least one nationally recognized rating service and do not bear a rating  
25 below the fifth highest rating by any nationally recognized rating service  
26 which rates the particular security, provided that the obligations are  
27 additional securities that are identical to obligations previously acquired  
28 pursuant to subclause (i).
- 29 (5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.
- 30 (6) Asset-backed securities (whether considered debt or equity) ~~provided they if~~  
31 the securities either (i) when acquired, bear ratings by nationally recognized  
32 rating services as provided in G.S. 147-69.2(b)(4) subdivision (4) of this  
33 subsection and that they do not bear a rating below the four highest by any  
34 nationally recognized rating service that rates the particular  
35 securities-security or (ii) when acquired, bear the fifth highest rating of at  
36 least one nationally recognized rating service and do not bear a rating below  
37 the fifth highest rating by any nationally recognized rating service which  
38 rates the particular security, provided that the securities are additional  
39 securities that are identical to securities previously acquired pursuant to  
40 subclause (i).
- 41 (6a) In addition to the limitations and requirements with respect to the  
42 investments of the Retirement Systems set forth in subsection (b) of this  
43 section, the State Treasurer shall select investments of the assets of the  
44 Retirement Systems such that investments made pursuant to subdivisions (b)  
45 (1) through (6) of this section shall at all times equal or exceed twenty  
46 percent (20%) of the market value of all invested assets of the Retirement  
47 Systems.
- 48 (6b) Investments pursuant to subdivisions (b)(1) through (6) of this section may  
49 be made directly by the State Treasurer or through contractual arrangements  
50 in which the investment manager has full and complete discretion and  
51 authority to invest assets specified in such arrangements in investments

1 authorized by subdivisions (b)(1) through (6) of this section, provided for  
2 each indirect investment, the investment manager has assets under  
3 management of at least one hundred million dollars (\$100,000,000).

4 (6c) With respect to Retirement Systems' assets referred to in subdivision (b)(8),  
5 they may be invested in obligations and other debt securities, including debt  
6 securities convertible into other securities, that do not meet the requirements  
7 of any of subdivisions (b)(1) through (6) of this section nor subdivision  
8 (b)(7) of this section, provided such investments are made through  
9 investment companies registered under the Investment Company Act of  
10 1940, individual, common collective trust funds of banks and trust  
11 companies, group trusts and limited partnerships, limited liability companies  
12 or other limited liability investment vehicles that invest primarily in  
13 investments authorized by this subdivision and through contractual  
14 arrangements in which the investment manager has full and complete  
15 discretion and authority to invest assets specified in such arrangements in  
16 investments authorized by this subdivision, provided the investment  
17 manager for each investment pursuant to this subdivision has assets under  
18 management of at least one hundred million dollars (\$100,000,000) and  
19 provided that the investments authorized under this subdivision shall not  
20 exceed five percent (5%) of the market value of all invested assets of the  
21 Retirement Systems.

22 (7) With respect to Retirement Systems' assets referred to in  
23 G.S. 147-69.2(b)(8), subdivision (8) of this subsection, (i) insurance contracts  
24 that provide for participation in individual or pooled separate accounts of  
25 insurance companies, (ii) group trusts, (iii) individual, common, or collective  
26 trust funds of banks and trust companies, (iv) real estate investment trusts,  
27 and (v) investment companies registered under the Investment Company Act  
28 of 1940, and (vi) limited partnerships, whether described as limited liability  
29 partnerships—companies, or other limited liability companies; investment  
30 vehicles; provided the investment manager has assets under management of  
31 at least one hundred million dollars (\$100,000,000); provided such  
32 investment assets are managed primarily for the purpose of investing in or  
33 owning real estate or related debt financing located within or outside the  
34 United States; and provided that the investment—investments authorized by  
35 this subsection—subdivision shall not exceed ten percent (10%) of the market  
36 value of all invested assets of the Retirement Systems.

37 (8) With respect to assets of the Teachers' and State Employees' Retirement  
38 System, the Consolidated Judicial Retirement System, the Firemen's and  
39 Rescue Workers' Pension Fund, the Local Governmental Employees'  
40 Retirement System, the Legislative Retirement System, the North Carolina  
41 National Guard Pension Fund (hereinafter referred to collectively as the  
42 Retirement Systems), and assets invested pursuant to subdivision (b2) of this  
43 section, they may be invested in preferred or common stock security securities  
44 traded on a public securities exchange or market organized and regulated  
45 pursuant to the laws of the jurisdiction of such exchange or market and  
46 issued by any company incorporated or otherwise created or located within  
47 or outside the United States—States; provided the investments meet the  
48 conditions of this subdivision.

49 The investments authorized for the Retirement Systems under this  
50 subdivision cannot exceed sixty-five percent (65%) of the market value of  
51 all invested assets of the Retirement Systems. Up to five percent (5%) of the

1 amount that may be invested under this subdivision may be invested in the  
2 stocks or shares of a diversified investment company registered under the  
3 "Investment Company Act of 1940" that has total So long as each  
4 investment manager has assets under management of at least fifty million  
5 dollars (\$50,000,000)-one hundred million dollars (\$100,000,000), the The  
6 assets authorized under this subdivision can be invested through (i)  
7 investment companies registered under the Investment Company Act of  
8 1940; (ii) individual, common, or collective trust funds of banks, banks and  
9 trust companies, and group trust funds of investment advisory companies so  
10 long as the investment manager has assets under management of at least one  
11 hundred million dollars (\$100,000,000)-(iii) group trusts, and (iv) contractual  
12 arrangements in which investment managers have full and complete  
13 discretion and authority to invest assets specified in such contractual  
14 arrangements.

15 The assets authorized under this subdivision can also be invested  
16 directly, if all of the following conditions are met:

- 17 a. ~~The common stock or preferred stock of such corporation is~~  
18 ~~registered on a national securities exchange as provided in the~~  
19 ~~Federal Securities Exchange Act or quoted through the National~~  
20 ~~Association of Securities Dealers' Automated Quotations (NASDAQ)~~  
21 ~~system.~~  
22 b. ~~The corporation has paid a cash dividend on its common stock in~~  
23 ~~each year of the 5-year period next preceding the date of investment~~  
24 ~~and the aggregate net earnings available for dividends on the~~  
25 ~~common stock of the corporation for the whole of that period have~~  
26 ~~been at least equal to the amount of the dividends paid.~~  
27 c. ~~In applying the dividend and earnings test under this section to any~~  
28 ~~issuing, assuming, or guaranteeing corporation, if the corporation~~  
29 ~~acquired its property or any substantial part thereof within a five-year~~  
30 ~~period immediately preceding the date of investment by~~  
31 ~~consolidation, merger, or by the purchase of all or a substantial~~  
32 ~~portion of the property of any other corporation or corporations, or~~  
33 ~~acquired the assets of any unincorporated business enterprise by~~  
34 ~~purchase or otherwise, the dividends and net earnings of the several~~  
35 ~~predecessor or constituent corporations or enterprises shall be~~  
36 ~~consolidated and adjusted so as to ascertain whether or not the~~  
37 ~~applicable requirements of this subdivision have been complied with.~~  
38 by the State Treasurer in any equity securities represented in the S&P  
39 500 Index or that have been publicly announced to be included in the  
40 S&P 500 Index. No more than one and one-half percent (1 1/2%) of  
41 the market value of the Retirement Systems' assets that may be  
42 invested directly under this subdivision can be invested in the stock  
43 of a single corporation, and the total number of shares in that single  
44 corporation cannot exceed eight percent (8%) of the issued and  
45 outstanding stock of that corporation.  
46 d. to f. Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.  
47 g. ~~That investments may be made in securities convertible into common~~  
48 ~~stocks issued by any such company, if such securities bear one of the~~  
49 ~~four highest ratings of at least one nationally recognized rating~~  
50 ~~service and do not bear a rating below the four highest by any~~

1 nationally recognized rating service which may then rate the  
2 particular security.

- 3 (9) With respect to Retirement Systems' assets, as defined in subdivision (b)(8)  
4 of this subsection, they may be invested in ~~limited partnership interests in a~~  
5 ~~partnership or in interests in a limited liability company~~ interests in limited  
6 partnerships, limited liability companies, or other limited liability investment  
7 vehicles that are not publicly traded if the primary purpose of the ~~partnership~~  
8 ~~or limited liability company~~ limited partnership, limited liability company, or  
9 other limited liability investment vehicle is to invest in public or private  
10 debt, ~~public or private~~ equity, or corporate buyout transactions, within or  
11 outside the United States. The amount invested under this subdivision shall  
12 not exceed five percent (5%) of the market value of all invested assets of the  
13 Retirement Systems.

- 14 (9a) With respect to Retirement Systems' assets, as defined in subdivision (b)(8)  
15 of this subsection, they may be invested in inflation-linked bonds,  
16 timberlands, commodities, and other assets that are acquired for the primary  
17 purpose of providing protection against risks associated with inflation,  
18 provided such investments are made through investment companies  
19 registered under the Investment Company Act of 1940, individual, common  
20 or collective trust funds of banks and trust companies, group trusts and  
21 limited partnerships, limited liability companies or other limited liability  
22 investment vehicles that invest primarily in investments authorized by this  
23 subdivision and through contractual arrangements in which the investment  
24 manager has full and complete discretion and authority to invest assets  
25 specified in such arrangements in investments authorized by this  
26 subdivision, provided the investment manager for each investment pursuant  
27 to this subdivision has assets under management of at least one hundred  
28 million dollars (\$100,000,000) and provided that the investments authorized  
29 under this subdivision shall not exceed five percent (5%) of the market value  
30 of all invested assets of the Retirement Systems. Notwithstanding anything  
31 in this subsection to the contrary, the investments authorized by this  
32 subdivision shall not be included in any subdivision other than this  
33 subdivision for purposes of the percentage investment limitations therein or  
34 otherwise.

- 35 (10) Recodified as part of subdivision (b)(9) by Session Laws 2000-160, s. 2.

- 36 (11) With respect to assets of the Escheat Fund, obligations of the North Carolina  
37 Global TransPark Authority authorized by G.S. 63A-4(a)(22), not to exceed  
38 twenty-five million dollars (\$25,000,000), that have a final maturity not later  
39 than October 1, 2009. The obligations shall bear interest at the rate set by the  
40 State Treasurer. No commitment to purchase obligations may be made  
41 pursuant to this subdivision after September 1, 1993, and no obligations may  
42 be purchased after September 1, 1994. In the event of a loss to the Escheat  
43 Fund by reason of an investment made pursuant to this subdivision, it is the  
44 intention of the General Assembly to hold the Escheat Fund harmless from  
45 the loss by appropriating to the Escheat Fund funds equivalent to the loss.

46 If any part of the property owned by the North Carolina Global  
47 TransPark Authority now or in the future is divested, proceeds of the  
48 divestment shall be used to fulfill any unmet obligations on an investment  
49 made pursuant to this subdivision.

- 50 (12) With respect to assets of the Escheat Fund, in addition to those investments  
51 authorized by subdivisions (1) through (6) of this subsection, up to twenty

1                   percent (20%) of such assets may be invested in the investments authorized  
2                   under subdivisions (7) through (9) of this subsection, notwithstanding the  
3                   percentage limitations imposed on the ~~retirement funds~~ Retirement Systems'  
4                   investments under those subdivisions.

5           (b1) With respect to investments authorized by ~~subsections-subdivisions~~ (b)(8) and (b)(9)  
6 of this section, the State Treasurer shall appoint an Investment Advisory Committee, which  
7 shall consist of five members: the State Treasurer, who shall be chairman ex officio; two  
8 members selected from among the members of the boards of trustees of the Retirement  
9 Systems; and two members selected from the general public. The two public members must  
10 have experience in one or more of the following areas: investment management, real estate  
11 investment trusts, real estate development, venture capital investment, or absolute return  
12 strategies. The State Treasurer shall also appoint a Secretary of the Investment Advisory  
13 Committee who need not be a member of the committee. Members of the committee shall  
14 receive for their services the same per diem and allowances granted to members of the State  
15 boards and commissions generally. The committee shall have advisory powers only and  
16 membership shall not be deemed a public office within the meaning of Article VI, Section 9 of  
17 the Constitution of North Carolina or G.S. 128-1.1.

18           (b2) The State Treasurer may invest funds deposited pursuant to subdivision (a)(17f) of  
19 this section in any of the investments authorized under subdivisions ~~(b)(1) through (6)(6),~~  
20 subdivision (b)(6c), and subdivision (b)(8) 8 of subsection (b) of this section-section,  
21 notwithstanding the percentage limitations imposed on the Retirement Systems' investments  
22 therein. The State Treasurer may require a minimum deposit, up to one hundred thousand  
23 dollars (\$100,000), and may assess a reasonable ~~fee,fees,~~ not to exceed 15 basis ~~points,points~~  
24 per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant  
25 to this subsection by a hospital shall remain the funds of that hospital, and interest or other  
26 investment income earned thereon shall be prorated and credited to the contributing hospital on  
27 the basis of the amounts thereof contributed, figured according to sound accounting principles.  
28 Fees assessed by the State Treasurer may be used to defray the cost of administering  
29 investments pursuant to this subsection.

30           (b3) The State Treasurer may invest funds deposited pursuant to subdivision (a)(16a) of  
31 this section in any of the investments authorized under subdivisions ~~(b)(1) through (6)(6),~~  
32 subdivision (b)(6c) and subdivision (b)(8) (8) of subsection (b) of this section-section,  
33 notwithstanding the percentage limitations imposed on the Retirement Systems' investments  
34 therein. The State Treasurer may require a minimum deposit, up to one hundred thousand  
35 dollars (\$100,000), and may assess a reasonable ~~fee,fees,~~ not to exceed 15 basis ~~points,points~~  
36 per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant  
37 to this subsection by the University of North Carolina Hospitals at Chapel Hill shall remain the  
38 funds of the University of North Carolina Hospitals at Chapel Hill, and interest or other  
39 investment income earned thereon shall be prorated and credited to the University of North  
40 Carolina Hospitals at Chapel Hill on the basis of the amounts thereof contributed, figured  
41 according to sound accounting principles. Fees assessed by the State Treasurer may be used to  
42 defray the cost of administering investments pursuant to this subsection.

43           (b4) In addition to the investments authorized under subdivisions (b)(1) through ~~(b)(6)~~ of  
44 this section, the State Treasurer may invest funds deposited in the Local Government Other  
45 Post-Employment Benefits Fund in any of the investments authorized under subdivision  
46 subdivisions (b)(6c) and (b)(8) of this section-section, notwithstanding the percentage  
47 limitations imposed on the Retirement Systems' investments therein. For investments from that  
48 Fund made under ~~subdivision-subdivisions~~ (b)(6c) and (b)(8) of this section, the State Treasurer  
49 may require a minimum deposit of up to one hundred thousand dollars (\$100,000) and may  
50 assess a ~~fee,fees~~ of up to 15 basis points per annum as a condition of making the investment.  
51 The fee may be used to defray the costs of administering the Fund.

1 (b5) In addition to the investments authorized under subdivisions (b)(1) through ~~(b)(6)~~ of  
2 this section, the State Treasurer may invest funds deposited in the Local Government Law  
3 Enforcement Special Separation Allowance Fund in any of the investments authorized under  
4 subdivision-subdivisions (b)(6c) and (b)(8) of this section-section, notwithstanding the  
5 percentage limitations imposed on the Retirement Systems' investments therein. For  
6 investments from that Fund made under ~~subdivision-subdivisions (b)(6c) and (b)(8)~~ of this  
7 section, the State Treasurer may require a minimum deposit of up to one hundred thousand  
8 dollars (\$100,000) and may assess a ~~fee~~fees of up to 15 basis points per annum as a condition  
9 of making the investment. The fee may be used to defray the costs of administering the Fund.

10 (c) Repealed by Session Laws 1995, c. 501, s. 2.

11 (d) The State Treasurer may invest funds deposited pursuant to subdivision (a)(17i) of  
12 this section in any of the investments authorized under subdivisions (1) through (6) and  
13 subdivision (8) of subsection (b) of this section. The State Treasurer may require a minimum  
14 deposit, up to one hundred thousand dollars (\$100,000), and may assess a reasonable fee, not to  
15 exceed 15 basis points, as a condition of participation pursuant to this subsection. Funds  
16 deposited pursuant to this subsection shall remain the funds of the North Carolina Conservation  
17 Easement Endowment Fund, and interest or other investment income earned thereon shall be  
18 prorated and credited to the North Carolina Conservation Easement Endowment Fund on the  
19 basis of the amounts thereof contributed, figured according to sound accounting principles."

20 **SECTION 2.** This act is effective when it becomes law.

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☐ Committee Substitute for

**HB 1507**                      A BILL TO BE ENTITLED AN ACT CONCERNING INVESTMENTS OF  
THE STATE TREASURER.

☒ With a favorable report as to the committee substitute bill, unfavorable as to the original bill, and  
recommendation that the committee substitute bill be re-referred to the Committee on FINANCE.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution  
(No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_) is placed  
on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the  
Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint)  
resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.



PUBLIC BILL

not RC per  
evny

H.B. 1507

SESSION LAW \_\_\_\_\_

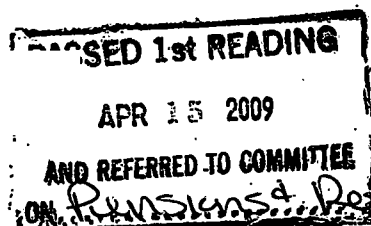
**A BILL TO BE ENTITLED**

**AN ACT CONCERNING INVESTMENTS OF THE STATE TREASURER.**

*GWB*  
Introduced by Representative(s): Gibson.

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

*Principal Clerk's Use Only*



3 Law Finance

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

**H****1**

**HOUSE BILL 934**

Short Title: Local Employees' Retirement System COLAs. (Public)

Sponsors: Representatives Tucker; and McLawhorn.

Referred to: Pensions and Retirement, if favorable, Finance.

April 1, 2009

- 1                                   A BILL TO BE ENTITLED  
2 AN ACT TO ADDRESS COST-OF-LIVING ADJUSTMENTS FOR RETIREES OF THE  
3 LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.  
4 The General Assembly of North Carolina enacts:  
5       **SECTION 1.** It is the intent of the General Assembly to provide cost-of-living  
6 adjustments to the benefits provided to beneficiaries of the Local Governmental Employees'  
7 Retirement System for the 2009-2010 fiscal year of one percent (1.0%) from undistributed  
8 gains available in the System.  
9       **SECTION 2.** This act becomes effective July 1, 2009.





## HOUSE BILL 934: Local Employees' Retirement System COLAs

2009-2010 General Assembly

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<b>Committee:</b>	House Pensions and Retirement, if favorable, Finance	<b>Date:</b>	April 28, 2009
<b>Introduced by:</b>	Rep. Tucker	<b>Prepared by:</b>	Theresa Matula
<b>Analysis of:</b>	First Edition		Committee Staff

---

**SUMMARY:** *House Bill 934 states that it is the intent of the General Assembly to provide a 1% cost-of-living adjustment to the benefit paid to beneficiaries of the Local Governmental Employees' Retirement System for the 2009-2010 fiscal year which will be paid from undistributed gains available in the System.*

### BILL ANALYSIS:

House Bill 934 provides that it is the intent of the General Assembly to provide a 1% cost-of-living adjustment (COLA) to the benefits provided to members of the Local Governmental Employees' Retirement System (LGERS) for the 2009-2010 fiscal year. The COLA will come from undistributed gains available in the system.

### EFFECTIVE DATE:

House Bill 934 would become effective July 1, 2009.

H934-SMSH-86(e1) v2



# NORTH CAROLINA GENERAL ASSEMBLY

## Legislative Services Office

George R. Hall, Legislative Services Officer

*scal Research Division*  
0 N. Salisbury Street, Suite 619  
Raleigh, NC 27603-5925  
Tel. 919-733-4910 Fax 919-715-3589

*Marilyn Chism*  
Director

April 2, 2009

### **MEMORANDUM**

TO: Representative Russell Tucker

FROM: Stanley Moore *SM*  
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 934

Re: Local Retirement System COLAs

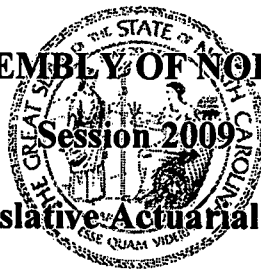
In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: House Principal Clerk

#### Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates

# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 934 (First Edition)  
**SHORT TITLE:** Local Employees' Retirement System COLAs.  
**SPONSOR(S):** Representative Tucker

---

**FUNDS AFFECTED:** Local funds

**SYSTEM OR PROGRAM AFFECTED:** Local Governmental Employees' Retirement System.

**EFFECTIVE DATE:** July 1, 2009

**BILL SUMMARY:** States the General Assembly's intent to provide for a cost-of-living adjustment of 1% to retirees of the Local Governmental Employees' Retirement System.

#### **ESTIMATED FISCAL IMPACT ON LOCAL GOVERNMENTS:**

**The estimated cost to grant a 1% COLA for the Local Governmental Employees' Retirement System is as follows:**

Retirement System Actuary: Buck Consultants estimates the cost to be 0.17 % of the payroll of all members of the Local Governmental Employees' Retirement System

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Local Funds	\$9.0M	\$9.4M	\$9.9M	\$10.4M	\$10.9M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.16% the payroll of all members of the Local Governmental Employees' Retirement System

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Local Funds	\$8.4M	\$8.8M	\$9.3M	\$9.7M	\$10.2M

**There are available gains of 0.58% of payroll in the Local Governmental Employees' Retirement System to fund this increase without increasing the contribution rate to units of local government.**

#### **ASSUMPTIONS AND METHODOLOGY:**

##### **Local Governmental Employees' Retirement System**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2007 actuarial valuation of the fund. The data included 127,959 active members with an annual payroll of \$4.75 billion, 42,408 retired members in receipt of annual pensions totaling \$689.4 million, and actuarial value of assets equal to \$16.8 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables, (tables are

set forward three years for males, set forward two years for females and set forward two years for the beneficiaries of deceased members and special mortality tables are used for period after disability retirement), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Gains and losses are reflected in the normal rate. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** Buck Consultants  
Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910. The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**PREPARED BY:** Stanley Moore

**APPROVED BY:** Bob Weiss  
on behalf of Marilyn Chism, Director  
Fiscal Research Division



**DATE:** April 1, 2009

**Signed Copy Located in the NCGA Principal Clerk's Offices**



February 3, 2009

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: Cost of Living Adjustment for State, Local and Judicial Retirement Systems**

Dear Mr. Vanderweide:

We have received Mr. Stanley Moore's request of January 29 regarding the cost associated with a cost of living adjustment for the Teachers' and State Employees' Retirement System, the Local Government Employees' Retirement System and the Consolidated Judicial Retirement System.

These requested costs are based on a post-retirement increase in the allowances of retirees and other beneficiaries of the respective systems equal to 1.0% for those who commenced retirement on or before July 1, 2008 and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 2008 and before June 30, 2009, with all increases payable effective July 1, 2009.

**Teachers' and State Employees' Retirement System**

Based on a nine-year liquidation period, the annual cost for this proposed change is 0.32% of payroll. Assuming that the contribution rate is increased 0.21% of payroll to cover the gap between the required contribution for the 2009 - 2010 fiscal year and the contribution rate for the 2008 - 2009 fiscal year, and based on the estimated state payrolls for the 2008 Session of the General Assembly, the cost of this proposed change for the 2009 - 2010 fiscal year is:

	Estimated State Payroll for Retirement Appropriations Purposes for the 2008 Session of the General Assembly	Estimated Increase in Contributions for 2009 - 2010 Fiscal Year
General Fund	\$ 9,754,000,000	\$ 31,212,800
Highway Fund	471,600,000	1,509,120
Receipts/Other Funds	3,509,780,000	11,231,296
Total	\$13,735,380,000	\$ 43,953,216

**Consolidated Judicial Retirement System**

Based on a nine-year liquidation period, the annual cost for this proposed change is 0.52% of payroll. Assuming that the contribution rate is increased 1.90% of payroll to cover the gap between the required contribution for the 2009 - 2010 fiscal year and the contribution rate for the 2008 - 2009 fiscal year, and based on the estimated state payrolls for the 2008 Session of the General Assembly, the cost of this proposed change for the 2009 - 2010 fiscal year is:

	Estimated State Payroll for Retirement Appropriations Purposes for the 2008 Session of the <u>General Assembly</u>	Estimated Increase in Contributions for <u>2009 - 2010 Fiscal Year</u>
Consolidated Judicial	\$ 61,000,000	\$ 317,200

**Local Governmental Employees' Retirement System**

The annual cost for this proposed change is 0.17% of payroll. Assuming that none of the undistributed gains are used to cover the costs of this proposed change and based on the estimated state payrolls for the 2008 Session of the General Assembly, the cost of this proposed change for the 2009 - 2010 fiscal year is:

	Estimated State Payroll for Retirement Appropriations Purposes for the 2008 Session of the <u>General Assembly</u>	Estimated Increase in Contributions for <u>2009 - 2010 Fiscal Year</u>
General Employees	\$ 4,100,000,000	\$ 6,970,000
Law Officers	<u>865,000,000</u>	<u>1,470,500</u>
Total	\$ 4,965,000,000	\$ 8,440,500

These estimates are based on the results of the December 31, 2007 valuations and do not reflect the asset experience that occurred during calendar year 2008. The asset experience that occurred during 2008 will result in an increase in the required contributions for the 2010 - 2011 fiscal year.

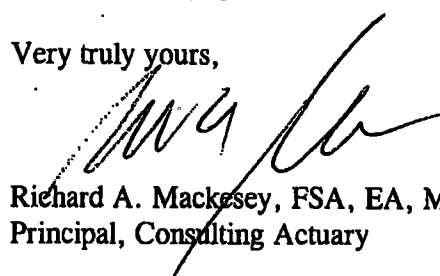




Mr. David Vanderweide  
February 3, 2009  
Page 3

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, FSA, EA, MAAA  
Principal, Consulting Actuary

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# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

December 18, 2008

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: 1% COLA for Retirees in the TSERS, LGERS, and CJRS Systems

Dear Mr. Moore:

You have requested the cost of providing a 1.0% cost of living adjustment, effective July 1, 2009, for beneficiaries of the Teachers' and State Employees' Retirement System (TSERS), the Local Governmental Employees' Retirement System (LGERS), and the Consolidated Judicial Retirement System (CJRS). The specific benefit increases include a 1.0% increase the retirement allowance for all beneficiaries who retired on or before July 1, 2008, with a prorated increase for retirements between July 1, 2008 and June 30, 2009.

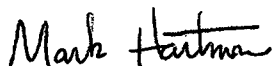
The estimated costs for a 1% COLA are shown below for each system. Costs are for the fiscal year beginning July 1, 2009 and are expressed as a percentage of payrolls.

System	Cost of 1% COLA	Amort. Period for Unfunded Liability
TSERS	0.31%	9 years
LGERS	0.16%	N/A
CJRS	0.51%	9 years

These estimates are based on the most recent actuarial valuations prepared as of December 31, 2007. Costs for COLA adjustments other than 1.0% would be proportionate to the above values.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☐ Committee Substitute for

**HB 934**      A BILL TO BE ENTITLED AN ACT TO ADDRESS COST-OF-LIVING  
ADJUSTMENTS FOR RETIREES OF THE LOCAL GOVERNMENTAL EMPLOYEES'  
RETIREMENT SYSTEM.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on  
FINANCE.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ The bill/resolution is re-referred to the Committee on \_\_\_\_\_.

PUBLIC BILL

0934

H.B. \_\_\_\_\_

SESSION LAW \_\_\_\_\_

A BILL TO BE ENTITLED

AN ACT TO ADDRESS COST-OF-LIVING ADJUSTMENTS FOR RETIREES OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

Introduced by Representative(s): Tucker. *Tucker*

*McLachlan*

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

Principal Clerk's Use Only

ISSUED 1st READING

APR 1 2009

AND REFERRED TO COMMITTEE

ON *Pensioners*

*Department of Law  
Finance*

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

H

1

**HOUSE BILL 642\***

Short Title: Retirement Technical Corrections.

(Public)

Sponsors: Representatives Tucker; and Bell.

Referred to: Pensions and Retirement, if favorable, Appropriations.

March 18, 2009

A BILL TO BE ENTITLED

AN ACT TO MAKE TECHNICAL CORRECTIONS AND OTHER CHANGES TO THE  
STATUTES GOVERNING THE TEACHERS' AND STATE EMPLOYEES'  
RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT SYSTEM, THE  
LEGISLATIVE RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL  
EMPLOYEES' RETIREMENT SYSTEM, AND THE FIREMEN'S AND RESCUE  
SQUAD WORKERS' PENSION FUND.

The General Assembly of North Carolina enacts:

**SECTION 1.(a)** G.S. 135-18.7(d) reads as rewritten:

"(d) This subsection applies to distributions made on or after January 1, 1993. Notwithstanding any other provision of the Plan to the contrary that would otherwise limit a distributee's election under this Article, a distributee may elect, at the time and in the manner prescribed by the Plan administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. Provided, an eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of 10 years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net realized appreciation with respect to employer securities). Effective as of January 1, 2002, and notwithstanding the preceding sentence, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible. Provided, an eligible retirement plan is an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. Effective on and after January 1, 2002, an eligible retirement plan shall also mean an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a



\* H 6 4 2 - V - 1 \*

1 state, or any agency or instrumentality of a state or political subdivision of a state and which  
2 agrees to separately account for amounts transferred into such plan from this Plan. The  
3 definition of eligible retirement plan shall also apply in the case of a distribution to surviving  
4 spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic  
5 relations order, as defined in Section 414(p) of the Internal Revenue Code, or a court-ordered  
6 equitable distribution of marital property, as provided under G.S. 50-30. Provided, a distributee  
7 includes an employee or former employee. Provided further, a direct rollover is a payment by  
8 the Plan to the eligible retirement plan specified by the distributee. Effective on and after  
9 January 1, 2007, notwithstanding any other provision of this subsection, a nonspouse  
10 beneficiary of a deceased member may elect, at the time and in the manner prescribed by the  
11 administrator of the Board of Trustees of this Retirement System, to directly roll over any  
12 portion of the beneficiary's distribution from the Retirement System; however, such rollover  
13 shall conform with the provisions of section 402(c)(11) of the Code."

14 **SECTION 1.(b)** G.S. 135-74(d) reads as rewritten:

15 "(d) This subsection applies to distributions made on or after January 1, 1993.  
16 Notwithstanding any other provision of the Plan to the contrary that would otherwise limit a  
17 distributee's election under this Article, a distributee may elect, at the time and in the manner  
18 prescribed by the Plan administrator, to have any portion of an eligible rollover distribution  
19 paid directly to an eligible retirement plan specified by the distributee in a direct rollover.  
20 Provided, an eligible rollover distribution is any distribution of all or any portion of the balance  
21 to the credit of the distributee, except that an eligible rollover distribution does not include: any  
22 distribution that is one of a series of substantially equal periodic payments (not less frequently  
23 than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint  
24 life expectancies) of the distributee and the distributee's designated beneficiary, or for a  
25 specified period of 10 years or more; any distribution to the extent such distribution is required  
26 under section 401(a)(9) of the Code; and the portion of any distribution that is not includible in  
27 gross income (determined without regard to the exclusion for net realized appreciation with  
28 respect to employer securities). Effective as of January 1, 2002, and notwithstanding the  
29 preceding sentence, a portion of a distribution shall not fail to be an eligible rollover  
30 distribution merely because the portion consists of after-tax employee contributions which are  
31 not includible in gross income. However, such portion may be transferred only to an individual  
32 retirement account or annuity described in Section 408(a) or (b) of the Code, or to a qualified  
33 defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to  
34 separately account for amounts so transferred, including separately accounting for the portion  
35 of such distribution which is includible in gross income and the portion of such distribution  
36 which is not so includible. Provided, an eligible retirement plan is an individual retirement  
37 account described in section 408(a) of the Code, an individual retirement annuity described in  
38 section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a  
39 qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible  
40 rollover distribution. Effective on and after January 1, 2002, an eligible retirement plan shall  
41 also mean an annuity contract described in Section 403(b) of the Code and an eligible plan  
42 under Section 457(b) of the Code which is maintained by a state, political subdivision of a  
43 state, or any agency or instrumentality of a state or political subdivision of a state and which  
44 agrees to separately account for amounts transferred into such plan from this Plan. The  
45 definition of eligible retirement plan shall also apply in the case of a distribution to surviving  
46 spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic  
47 relations order, as defined in Section 414(p) of the Internal Revenue Code, or a court-ordered  
48 equitable distribution of marital property, as provided under G.S. 50-30. Provided, a distributee  
49 includes an employee or former employee. Provided further, a direct rollover is a payment by  
50 the Plan to the eligible retirement plan specified by the distributee. Effective on and after  
51 January 1, 2007, notwithstanding any other provision of this subsection, a nonspouse

1 beneficiary of a deceased member may elect, at the time and in the manner prescribed by the  
2 administrator of the Board of Trustees of this Retirement System, to directly roll over any  
3 portion of the beneficiary's distribution from the Retirement System; however, such rollover  
4 shall conform with the provisions of section 402(c)(11) of the Code."

5 **SECTION 1.(c)** G.S. 120-4.31(d) reads as rewritten:

6 "(d) This subsection applies to distributions made on or after January 1, 1993.  
7 Notwithstanding any other provision of the Plan to the contrary that would otherwise limit a  
8 distributee's election under this Article, a distributee may elect, at the time and in the manner  
9 prescribed by the Plan administrator, to have any portion of an eligible rollover distribution  
10 paid directly to an eligible retirement plan specified by the distributee in a direct rollover.  
11 Provided, an eligible rollover distribution is any distribution of all or any portion of the balance  
12 to the credit of the distributee, except that an eligible rollover distribution does not include: any  
13 distribution that is one of a series of substantially equal periodic payments (not less frequently  
14 than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint  
15 life expectancies) of the distributee and the distributee's designated beneficiary, or for a  
16 specified period of 10 years or more; any distribution to the extent such distribution is required  
17 under section 401(a)(9) of the Code; and the portion of any distribution that is not includible in  
18 gross income (determined without regard to the exclusion for net realized appreciation with  
19 respect to employer securities). Effective as of January 1, 2002, and notwithstanding the  
20 preceding sentence, a portion of a distribution shall not fail to be an eligible rollover  
21 distribution merely because the portion consists of after-tax employee contributions that are not  
22 includible in gross income. However, such portion may be transferred only to an individual  
23 retirement account or annuity described in Section 408(a) or (b) of the Code, or to a qualified  
24 defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to  
25 separately account for amounts so transferred, including separately accounting for the portion  
26 of such distribution which is includible in gross income and the portion of such distribution  
27 which is not so includible. Provided, an eligible retirement plan is an individual retirement  
28 account described in section 408(a) of the Code, an individual retirement annuity described in  
29 section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a  
30 qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible  
31 rollover distribution. Effective on and after January 1, 2002, an eligible retirement plan shall  
32 also mean an annuity contract described in Section 403(b) of the Code and an eligible plan  
33 under Section 457(b) of the Code which is maintained by a state, political subdivision of a  
34 state, or any agency or instrumentality of a state or political subdivision of a state and which  
35 agrees to separately account for amounts transferred into such plan from this Plan. The  
36 definition of eligible retirement plan shall also apply in the case of a distribution to surviving  
37 spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic  
38 relations order, as defined in Section 414(p) of the Internal Revenue Code, or a court-ordered  
39 equitable distribution of marital property, as provided under G.S. 50-30. Provided, a distributee  
40 includes an employee or former employee. Provided further, a direct rollover is a payment by  
41 the Plan to the eligible retirement plan specified by the distributee. Effective on and after  
42 January 1, 2007, notwithstanding any other provision of this subsection, a nonspouse  
43 beneficiary of a deceased member may elect, at the time and in the manner prescribed by the  
44 administrator of the Board of Trustees of this Retirement System, to directly roll over any  
45 portion of the beneficiary's distribution from the Retirement System; however, such rollover  
46 shall conform with the provisions of section 402(c)(11) of the Code."

47 **SECTION 1.(d)** G.S. 128-38.2(d) reads as rewritten:

48 "(d) This subsection applies to distributions made on or after January 1, 1993.  
49 Notwithstanding any other provision of the Plan to the contrary that would otherwise limit a  
50 distributee's election under this Article, a distributee may elect, at the time and in the manner  
51 prescribed by the Plan administrator, to have any portion of an eligible rollover distribution

1 paid directly to an eligible retirement plan specified by the distributee in a direct rollover.  
2 Provided, an eligible rollover distribution is any distribution of all or any portion of the balance  
3 to the credit of the distributee, except that an eligible rollover distribution does not include: any  
4 distribution that is one of a series of substantially equal periodic payments (not less frequently  
5 than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint  
6 life expectancies) of the distributee and the distributee's designated beneficiary, or for a  
7 specified period of 10 years or more; any distribution to the extent such distribution is required  
8 under section 401(a)(9) of the Code; and the portion of any distribution that is not includible in  
9 gross income (determined without regard to the exclusion for net realized appreciation with  
10 respect to employer securities). Effective as of January 1, 2002, and notwithstanding the  
11 preceding sentence, a portion of a distribution shall not fail to be an eligible rollover  
12 distribution merely because the portion consists of after-tax employee contributions which are  
13 not includible in gross income. However, such portion may be transferred only to an individual  
14 retirement account or annuity described in Section 408(a) or (b) of the Code, or to a qualified  
15 defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to  
16 separately account for amounts so transferred, including separately accounting for the portion  
17 of such distribution which is includible in gross income and the portion of such distribution  
18 which is not so includible. Provided, an eligible retirement plan is an individual retirement  
19 account described in section 408(a) of the Code, an individual retirement annuity described in  
20 section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a  
21 qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible  
22 rollover distribution. Effective on and after January 1, 2002, an eligible retirement plan shall  
23 also mean an annuity contract described in Section 403(b) of the Code and an eligible plan  
24 under Section 457(b) of the Code which is maintained by a state, political subdivision of a  
25 state, or any agency or instrumentality of a state or political subdivision of a state and which  
26 agrees to separately account for amounts transferred into such plan from this Plan. The  
27 definition of eligible retirement plan shall also apply in the case of a distribution to surviving  
28 spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic  
29 relations order, as defined in Section 414(p) of the Internal Revenue Code, or a court-ordered  
30 equitable distribution of marital property, as provided under G.S. 50-30. Provided, a distributee  
31 includes an employee or former employee. Provided further, a direct rollover is a payment by  
32 the Plan to the eligible retirement plan specified by the distributee. Effective on and after  
33 January 1, 2007, notwithstanding any other provision of this subsection, a nonspouse  
34 beneficiary of a deceased member may elect, at the time and in the manner prescribed by the  
35 administrator of the Board of Trustees of this Retirement System, to directly roll over any  
36 portion of the beneficiary's distribution from the Retirement System; however, such rollover  
37 shall conform with the provisions of section 402(c)(11) of the Code."

38 **SECTION 2.(a)** G.S. 128-21(11) reads as rewritten:

39 "(11) "Employer" shall mean any county, incorporated city or town, the board of  
40 alcoholic control of any county or incorporated city or town, the North  
41 Carolina League of Municipalities, and the State Association of County  
42 Commissioners. "Employer" shall also mean any separate, juristic political  
43 subdivision of the State as may be approved by the Board of Trustees upon  
44 the advice of the Attorney General. ~~"Employer" also means any fire~~  
45 ~~department that serves a city or county or any part of a city or county and~~  
46 ~~that is supported in whole or in part by municipal or county funds."~~

47 **SECTION 2.(b)** G.S. 58-86-25 reads as rewritten:

48 **"§ 58-86-25. "Eligible firemen" defined; determination and certification of volunteers**  
49 **meeting qualifications.**

50 "Eligible firemen" shall mean all firemen of the State of North Carolina or any political  
51 subdivision thereof, including those performing such functions in the protection of life and



property through fire fighting within a county or city governmental unit and so certified to the Commissioner of Insurance by the governing body thereof, and who belong to a bona fide fire department which, as determined by the Commissioner, is classified as not less than class "9" or class "A" and "AA" departments in accordance with rating methods, schedules, classifications, underwriting rules, bylaws or regulations effective or applied with respect to the establishment of rates or premiums used or charged pursuant to Article 36 or 40 of this Chapter or by such other reasonable methods as the Commissioner may determine, and which operates fire apparatus and equipment of the value of five thousand dollars (\$5,000) or more, and said fire department holds drills and meetings not less than four hours monthly and said firemen attend at least 36 hours of all drills and meetings in each calendar year. "Eligible firemen" shall also mean an employee of a county whose sole duty is to act as fire marshal, deputy fire marshal, assistant fire marshal, or firefighter of the county, provided the board of county commissioners of that county certifies the employee's attendance at no less than 36 hours of all drills and meetings in each calendar year. "Eligible firemen" shall also mean those persons meeting the other qualifications of this section, not exceeding 25 volunteer firemen plus one additional volunteer fireman per 100 population in the area served by their respective departments. Each department shall annually determine and report the names of those firemen meeting the eligibility qualifications of this section to its respective governing body, which upon determination of the validity and accuracy of the qualification shall promptly certify the list to the North Carolina State Firemen's Association. The Firemen's Association shall provide a list of those persons meeting the eligibility requirements of this section to the State Treasurer by ~~July 1~~ January 31 of each year. For the purposes of the preceding sentence, the governing body of a fire department operated: by a county is the county board of commissioners; by a city is the city council; by a sanitary district is the sanitary district board; by a corporation, whether profit or nonprofit, is the corporation's board of directors; and by any other entity is that group designated by the board."

SECTION 2.(c) G.S. 58-86-30 reads as rewritten:

**"§ 58-86-30. "Eligible rescue squad worker" defined; determination and certification of eligibility.**

"Eligible rescue squad worker" means a person who is a member of a rescue or emergency medical services squad that is eligible for membership in the North Carolina Association of Rescue and Emergency Medical Services, Inc., and who has attended a minimum of 36 hours of training and meetings in the last calendar year. Each rescue or emergency medical services squad eligible for membership in the North Carolina Association of Rescue and Emergency Medical Services, Inc., must file a roster certified by the secretary of the association of those rescue or emergency medical services squad workers meeting the requirements of this section with the State Treasurer by ~~January 1~~ January 31 of each calendar year.

"Eligible rescue squad worker" does not mean "eligible fireman" as defined by G.S. 58-86-25, nor may an "eligible rescue squad worker" qualify also as an "eligible fireman" in order to receive double benefits available under this Article."

SECTION 2.(d) G.S. 58-86-35 reads as rewritten:

**"§ 58-86-35. Firemen's application for membership in fund; monthly payments by members; payments credited to separate accounts of members; termination of membership.**

Those firemen who are eligible pursuant to G.S. 58-86-25 may make application for membership to the board. Each fireman upon becoming a member of the fund shall pay the director of the fund the sum of ten dollars (\$10.00) per ~~month~~ month; each payment shall be made no later than 90 days after the end of the calendar year in which the month occurred. The monthly payments shall be credited to the separate account of the member and shall be kept by the custodian so it is available for payment on withdrawal from membership or retirement.

1 A member may elect to terminate membership in the fund at anytime and request the refund  
2 of payments previously made to the fund. However, a member's delinquency in making the  
3 monthly payments required by this section does not result in the termination of membership  
4 without such an election by the member."

5 **SECTION 2.(e)** G.S. 58-86-40 reads as rewritten:

6 **"§ 58-86-40. Rescue squad worker's application for membership in funds; monthly**  
7 **payments by members; payments credited to separate accounts of members;**  
8 **termination of membership.**

9 Those rescue squad workers eligible pursuant to G.S. 58-86-30 may apply to the board for  
10 membership. Each eligible rescue squad worker upon becoming a member shall pay the  
11 director of the fund the sum of ten dollars (\$10.00) ~~per month.~~ month; each payment shall be  
12 made no later than 90 days after the end of the calendar year in which the month occurred. The  
13 monthly payments shall be credited to the separate account of the member and shall be kept by  
14 the custodian so it is available for payment on withdrawal from membership or retirement.

15 A member may elect to terminate membership in the fund at anytime and request the refund  
16 of payments previously made to the fund. However, a member's delinquency in making the  
17 monthly payments required by this section does not result in the termination of membership  
18 without such an election by the member."

19 **SECTION 2.(f)** G.S. 58-86-45(b) reads as rewritten:

20 "(b) An eligible fireman or rescue squad worker who is not yet 35 years old ~~and has not~~  
21 ~~previously elected to become a member~~ may apply to the board of trustees for membership in  
22 the fund at any time. Upon becoming a member, the worker ~~must~~ may make a lump sum  
23 payment of ten dollars (\$10.00) per month retroactively to the time the worker first became  
24 eligible to become a member, plus interest at an annual rate to be set by the board for each year  
25 of retroactive payments. Upon making this lump sum payment, the worker shall be given credit  
26 for all prior service in the same manner as if the worker had applied for membership upon first  
27 becoming eligible.

28 A member who is not yet 35 years old, ~~who applied for membership after first becoming~~  
29 ~~eligible, and who did not receive credit for prior service~~ old may receive credit for the prior  
30 service upon making a lump sum payment of ten dollars (\$10.00) for each month since the  
31 worker first became eligible, plus interest at an annual rate to be set by the board for each year  
32 of retroactive payments. Upon making this lump sum payment, the date of membership shall be  
33 the same as if the worker had applied for membership upon first becoming eligible."

34 **SECTION 2.(g)** G.S. 58-86-50 is repealed.

35 **SECTION 2.(h)** G.S. 58-86-60 reads as rewritten:

36 **"§ 58-86-60. Payments in lump sums.**

37 The board shall direct payment in lump sums from the fund in the following cases:

- 38 (1) To any fireman or rescue squad worker upon the attaining of the age of 55  
39 years, who, for any reason, is not qualified to receive the monthly retirement  
40 pension and who was enrolled as a member of the fund, an amount equal to  
41 the amount paid into the fund by him. This provision shall not be construed  
42 to preclude any active fireman or rescue squad worker from completing the  
43 requisite number of years of active service after attaining the age of 55 years  
44 necessary to entitle him to the pension.
- 45 (2) If any fireman or rescue squad worker dies before attaining the age at which  
46 a pension is payable to him under the provisions of this Article, there shall  
47 be paid to his widow, or if there be no widow, to the person responsible for  
48 his child or children, or if there be no widow or children, then to his heirs at  
49 law as may be determined by the board or to his estate, if it is administered  
50 and there are no heirs, an amount equal to the amount paid into the fund

member's separate account by or on behalf of the said fireman or rescue squad worker.

(3) If any fireman or rescue squad worker dies after beginning to receive the pension payable to him by this Article, and before receiving an amount equal to the amount paid into the fund by him, there shall be paid to his widow, or if there be no widow, then to the person responsible for his child or children, or if there be no widow or children, then to his heirs at law as may be determined by the board or to his estate, if it is administered and there are no heirs, an amount equal to the difference between the amount paid into the ~~fund~~ member's separate account by or on behalf of the said fireman or rescue squad worker and the amount received by him as a pensioner.

(4) Any member withdrawing from the fund shall, upon proper application, be paid all moneys the individual contributed to the fund without accumulated earnings on the payments after the time they were ~~made less an administrative fee equal to the lesser of the amount the individual contributed to the fund or twenty five dollars (\$25.00). The administrative fees collected by the fund shall be retained by the Board to defray administrative expenses, including salaries.~~ made. Notwithstanding the foregoing, if any person, firm, corporation, or other entity has made contributions on behalf of a member and that member withdraws from the fund, the person, firm, corporation, or other entity shall be entitled to a refund equal to the amount of contributions made by them after the Board has been notified of the contributor's desire to be refunded its contributions upon the member's withdrawal. ~~Any refunds to a contributor other than a member shall also be subject to the twenty five dollar (\$25.00) administrative fee. If a refund is to be shared by a member and another party the administrative fee shall be applied to each portion on a pro rata basis."~~

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

"(3) Any member who was in service October 8, 1981, who had attained 60 years of age, may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to be retired."

**SECTION 3.(b)** G.S. 135-5(a)(4) reads as rewritten:

"(4) Any member who is a law-enforcement officer, and who attains age 50 and completes 15 or more years of creditable service in this capacity or who attains age 55 and completes five or more years of creditable service in this capacity, may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to be retired; Provided, also, any member who has met the conditions herein required but does not retire, and later becomes a teacher or an employee other than as a law-enforcement officer shall continue to have the right to commence retirement."

**SECTION 3.(c)** G.S. 135-5(a1) reads as rewritten:

"(a1) Early Service Retirement Benefits. – Any member may retire and receive a reduced retirement allowance upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than ~~90~~ 120 days subsequent to the execution of and filing thereof, he desires to be retired: Provided, that the said member at the time so specified for his retirement shall have attained the age of 50 years and have at least 20 years of creditable service."

1           **SECTION 3.(d)** G.S. 135-5(c) reads as rewritten:

2           "(c) Disability Retirement Benefits of Members Leaving Service Prior to January 1,  
3 1988. – The provisions of this subsection shall not be applicable to members in service on or  
4 after January 1, 1988. Upon the application of a member or of his employer, any member who  
5 has had five or more years of creditable service may be retired by the Board of Trustees, on the  
6 first day of any calendar month, not less than one day nor more than ~~90~~ 120 days next  
7 following the date of filing such application, on a disability retirement allowance: Provided,  
8 that the medical board, after a medical examination of such member, shall certify that such  
9 member is mentally or physically incapacitated for the further performance of duty, that such  
10 incapacity was incurred at the time of active employment and has been continuous thereafter,  
11 that such incapacity is likely to be permanent, and that such member should be retired;  
12 Provided further the medical board shall determine if the member is able to engage in gainful  
13 employment and, if so, the member may still be retired and the disability retirement allowance  
14 as a result thereof shall be reduced as in subsection (e) below. Provided further, that the  
15 medical board shall not certify any member as disabled who:

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

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

24           Supplemental disability benefits heretofore provided are hereby made a permanent part of  
25 disability benefits after age 65, and shall not be discontinued at age 65.

26           Notwithstanding the requirement of five or more years of creditable service to the contrary,  
27 a member who is a law-enforcement officer and who has had one year or more of creditable  
28 service and becomes incapacitated for duty as the natural and proximate result of an accident  
29 occurring while in the actual performance of duty, and meets all other requirements for  
30 disability retirement benefits, may be retired by the Board of Trustees on a disability retirement  
31 allowance.

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

40           Notwithstanding the foregoing, the surviving designated beneficiary of a deceased member  
41 who met all other requirements for disability retirement benefits, except whose death occurred  
42 before the first day of the calendar month in which the member's disability retirement  
43 allowance was to be due and payable, may elect to receive the reduced retirement allowance  
44 provided by a fifty percent (50%) joint and survivor payment option in lieu of a return of  
45 accumulated contributions, provided the following conditions apply:

- 46           (1) The member had designated as the principal beneficiary, to receive a return  
47               of accumulated contributions at the time of his death, one and only one  
48               person, and  
49           (2) The member had not instructed the Board of Trustees in writing that he did  
50               not wish the provision of this subsection to apply."

51           **SECTION 3.(e)** G.S. 135-57(d) reads as rewritten:

"(d) Any member who was in service October 8, 1981, who had attained 50 years of age, may retire upon written application to the board of trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to be retired."

**SECTION 3.(f)** G.S. 135-59(a) reads as rewritten:

"(a) Upon application by or on behalf of the member, any member in service who has completed five or more years of creditable service and who has not attained his sixty-fifth birthday may be retired by the Board of Trustees, on the first day of any calendar month, not less than one day nor more than ~~90~~ 120 days next following the date of filing such application, on a disability retirement allowance; provided, that the medical board, after a medical examination of such member, shall certify that such member is mentally or physically incapacitated for the further performance of duty, that such incapacity was incurred at the time of active employment and has been continuous thereafter, that such incapacity is likely to be permanent, and that such member should be retired; and, provided further, that if a member is removed by the Supreme Court for mental or physical incapacity under the provisions of G.S. 7A-376, no action is required by the medical board under this section and, provided further, the medical board shall determine if the member is able to engage in gainful employment and, if so, the member shall still be retired and the disability retirement allowance as a result thereof shall be reduced as in G.S. 135-60(d). Provided further, that the medical board shall not certify any member as disabled who:

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

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

Notwithstanding the foregoing to the contrary, any beneficiary who commenced retirement with an early or service retirement benefit has the right, within three years of this retirement, to convert to an allowance with disability retirement benefits without modification of any election of optional allowance previously made; provided, the beneficiary presents clear and convincing evidence that the beneficiary would have met all applicable requirements for disability retirement benefits while still in service as a member. The allowance on account of disability retirement benefits to the beneficiary shall be retroactive to the effective date of early or service retirement."

**SECTION 3.(g)** G.S. 128-24(4) reads as rewritten:

"(4) The provisions of this subdivision (4) shall apply to any member whose retirement became effective prior to July 1, 1965, and became entitled to benefits hereunder in accordance with the provisions hereof. Such benefits shall be computed in accordance with the provisions of G.S. 128-27(b1) as in effect at the date of such separation from service.

- a. Notwithstanding any other provision of this Chapter, any member who separates from service prior to the time he shall have attained the age of 60 years, or if a uniformed policeman or fireman prior to the time he shall have attained the age of 55 years, for any reason other than death or retirement for disability as provided in G.S. 128-27(c), after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in the Retirement System, shall have the right to retire on a deferred retirement allowance upon the date he shall have attained the age of

60 years, or if a uniformed policeman or fireman upon the date he shall have attained the age of 55 years; provided that such member may retire only upon written application to the Board of Trustees setting forth at what time, not less than 30 days nor more than ~~90~~ 120 days next following the date of filing such application, he desires to be retired. Such deferred retirement allowance shall be computed in accordance with the provisions of G.S. 128-27(b), paragraphs (1), (2) and (3).

b. In lieu of the benefits provided in paragraph a of this subdivision (4), any member who separates from service prior to the time he shall have attained the age of 60 years, or if a uniformed policeman or fireman prior to the time he shall have attained the age of 55 years, for any reason other than death or retirement for disability as provided in G.S. 128-27(c), after completing 30 or more years of creditable service, and who leaves his total accumulated contributions in the Retirement System, may elect to retire on an early retirement allowance; provided that such a member may so retire only upon written application to the Board of Trustees setting forth at what time, not less than 30 days nor more than ~~90~~ 120 days next following the date of filing such application, he desires to be retired; provided further that such application shall be duly filed within 60 days following the date of such separation. Such early retirement allowance so elected shall be the actuarial equivalent of the deferred retirement allowance otherwise payable at the attainment of age 60 years, or if a uniformed policeman or fireman at the attainment of age 55 years, upon proper application therefor.

c. Should an employee who retired on an early or service retirement allowance be restored to service prior to the time he shall have attained the age of 62 years, or if a uniformed policeman or fireman prior to the time he shall have attained the age of 55 years, his allowance shall cease, he shall again become a member of the Retirement System, and he shall contribute thereafter at the uniform contribution rate for his class member. Upon his subsequent retirement, he shall be entitled to an allowance not less than the allowance described in 1 below reduced by the amount in 2 below.

1. The allowance to which he would have been entitled if he were retiring for the first time, calculated on the basis of his total creditable service represented by the sum of his creditable service at the time of his first retirement, and his creditable service after he was restored to service.

2. The actuarial equivalent of the retirement benefits he previously received.

d. Should an employee who retired on an early or service retirement allowance be restored to service after the attainment of the age of 62 years, his retirement allowance shall be reduced to the extent necessary (if any) so that the sum of the retirement allowance at the time of retirement and earnings from employment by a unit of the Retirement System for any year (beginning January 1 and ending December 31) will not exceed the member's compensation received for the 12 months of service prior to retirement. Provided, however, that under no circumstances will the member's retirement allowance

be reduced below the amount of his annuity as defined in G.S. 128-21(3)."

**SECTION 3.(h)** G.S. 128-24(5) reads as rewritten:

"(5) The provisions of this subdivision (5) shall apply to any member whose membership is terminated on or after July 1, 1965, and who becomes entitled to benefits hereunder in accordance with the provisions hereof.

a. Notwithstanding any other provision of this Chapter, any member who separates from service prior to the attainment of the age of 60 years for any reason other than death or retirement for disability as provided in G.S. 128-27(c), after completing 15 or more years of creditable service, and who leaves his total accumulated contributions in said System shall have the right to retire on a deferred retirement allowance upon attaining the age of 60 years; provided that such member may retire only upon written application to the Board of Trustees setting forth at what time, not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to be retired; and further provided that in the case of a member who so separates from service on or after July 1, 1967, the aforesated requirement of 15 or more years of creditable service shall be reduced to 12 or more years of creditable service; and further provided that in the case of a member who so separates from service on or after July 1, 1971, or whose account is active on July 1, 1971, the aforesated requirement of 12 or more years of creditable service shall be reduced to five or more years of creditable service. Such deferred retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to a member who is not a law enforcement officer or eligible former law enforcement officer.

b. In lieu of the benefits provided in paragraph a of this subdivision, any member who separates from service prior to the attainment of the age of 60 years, for any reason other than death or retirement for disability as provided in G.S. 128-27(c), after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System may elect to retire on an early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided that such member may so retire only upon written application to the Board of Trustees setting forth at what time, not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to be retired. Such early retirement allowance so elected shall be equal to the deferred retirement allowance otherwise payable at the attainment of the age of 60 years reduced by the percentage thereof indicated below.

Age at Retirement	Percentage Reduction
59	7
58	14
57	20
56	25
55	30
54	35
53	39

- |   |    |    |
|---|----|----|
| 1 | 52 | 43 |
| 2 | 51 | 46 |
| 3 | 50 | 50 |
- b1. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer at the time of separation from service prior to the attainment of the age of 50 years, for any reason other than death or disability as provided in this Article, after completing 15 or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System, may elect to retire on a deferred early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided, that the member may commence retirement only upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred early retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law enforcement officers.
- b2. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer at the time of separation from service prior to the attainment of the age of 55 years, for any reason other than death or disability as provided in this Article, after completing five or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System may elect to retire on a deferred service retirement allowance upon attaining the age of 55 years or at any time thereafter; provided, that the member may commence retirement only upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred service retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law enforcement officers.
- b3. Deferred retirement allowance of members retiring on or after July 1, 1995. – In lieu of the benefits provided in paragraphs a. and b. of this subdivision, any member who separates from service prior to attainment of age 60 years, after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System, may elect to retire on a deferred retirement allowance upon attaining the age of 50 years or any time thereafter; provided that such member may so retire only upon written application to the Board of Trustees setting forth at what time, not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to be retired. Such deferred retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to a member who is not a law enforcement officer or an eligible former law enforcement officer.



1 c. Should a beneficiary who retired on an early or service retirement  
2 allowance be reemployed by, or otherwise engaged to perform  
3 services for, an employer participating in the Retirement System on a  
4 part-time, temporary, interim, or on fee-for-service basis, whether  
5 contractual or otherwise, and if such beneficiary earns an amount  
6 during the 12-month period immediately following the effective date  
7 of retirement or in any calendar year which exceeds fifty percent  
8 (50%) of the reported compensation, excluding terminal payments,  
9 during the 12 months of service preceding the effective date of  
10 retirement, or twenty thousand dollars (\$20,000), whichever is  
11 greater, as hereinafter indexed, then the retirement allowance shall be  
12 suspended as of the first day of the month following the month in  
13 which the reemployment earnings exceed the amount above, for the  
14 balance of the calendar year, except when the reemployment earnings  
15 exceed the amount above in the month of December, in which case  
16 the retirement allowance shall not be suspended. The retirement  
17 allowance of the beneficiary shall be reinstated as of January 1 of  
18 each year following suspension. The amount that may be earned  
19 before suspension shall be increased on January 1 of each year by the  
20 ratio of the Consumer Price Index to the Index one year earlier,  
21 calculated to the nearest tenth of a percent (1/10 of 1%).

22 d. Should a beneficiary who retired on an early or service retirement  
23 allowance be restored to service as an employee, then the retirement  
24 allowance shall cease as of the first day of the month following the  
25 month in which the beneficiary is restored to service and the  
26 beneficiary shall become a member of the Retirement System and  
27 shall contribute thereafter as allowed by law at the uniform  
28 contribution payable by all members.

29 Upon his subsequent retirement, he shall be paid a retirement  
30 allowance determined as follows:

31 1. For a member who earns at least three years' membership  
32 service after restoration to service, the retirement allowance  
33 shall be computed on the basis of his compensation and  
34 service before and after the period of prior retirement without  
35 restriction; provided, that if the prior allowance was based on  
36 a social security leveling payment option, the allowance shall  
37 be adjusted actuarially for the difference between the amount  
38 received under the optional payment and what would have  
39 been paid if the retirement allowance had been paid without  
40 optional modification.

41 2. For a member who does not earn three years' membership  
42 service after restoration to service, the retirement allowance  
43 shall be equal to the sum of the retirement allowance to which  
44 he would have been entitled had he not been restored to  
45 service, without modification of the election of an optional  
46 allowance previously made, and the retirement allowance that  
47 results from service earned since being restored to service;  
48 provided, that if the prior retirement allowance was based on  
49 a social security leveling payment option, the prior allowance  
50 shall be adjusted actuarially for the difference between the  
51 amount that would have been paid for each month had the

1 payment not been suspended and what would have been paid  
2 if the retirement allowance had been paid without optional  
3 modification."

4 **SECTION 3.(i) G.S. 128-27(a) reads as rewritten:**

5 **"(a) Service Retirement Benefits. –**

6 (1) Any member may retire upon written application to the Board of Trustees  
7 setting forth at what time, as of the first day of a calendar month, not less  
8 than one day nor more than 120 days subsequent to the execution and filing  
9 thereof, he desires to be retired: Provided, that the said member at the time  
10 so specified for his retirement shall have attained the age of 60 years and  
11 have at least five years of creditable service or shall have completed 30 years  
12 of creditable service, or if a fireman, he shall have attained the age of 55  
13 years and have at least five years of creditable service.

14 (2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.

15 (3) Repealed by Session Laws 1971, c. 325, s. 12.

16 (4) Any member who was in service October 8, 1981, who had attained 60 years  
17 of age, may retire upon written application to the Board of Trustees setting  
18 forth at what time, as of the first day of a calendar month, not less than one  
19 day nor more than ~~90~~ 120 days subsequent to the execution and filing  
20 thereof, he desires to be retired.

21 (5) Any member who is a law enforcement officer, and who attains age 50 and  
22 completes 15 or more years of creditable service in this capacity or who  
23 attains age 55 and completes five or more years of creditable service in this  
24 capacity, may retire upon written application to the Board of Trustees setting  
25 forth at what time, as of the first day of a calendar month, not less than one  
26 day nor more than ~~90~~ 120 days subsequent to the execution and filing  
27 thereof, he desires to be retired; provided, also, any member who has met the  
28 conditions required by this subdivision but does not retire, and later becomes  
29 an employee other than as a law enforcement officer, continues to have the  
30 right to commence retirement."

31 **SECTION 3.(j) G.S. 128-27(a1) reads as rewritten:**

32 **"(a1) Early Service Retirement Benefits. –** Any member may retire and receive a reduced  
33 retirement allowance upon written application to the Board of Trustees setting forth at what  
34 time, as of the first day of a calendar month, not less than one day nor more than ~~90~~ 120 days  
35 subsequent to the execution and filing thereof, he desires to be retired: Provided, that the said  
36 member at the time so specified for his retirement shall have attained the age of 50 years and  
37 have at least 20 years of creditable service."

38 **SECTION 3.(k) G.S. 128-27(c) reads as rewritten:**

39 **"(c) Disability Retirement Benefits. –** Upon the application of a member or of his  
40 employer, any member who has had five or more years of creditable service may be retired by  
41 the Board of Trustees, on the first day of any calendar month, not less than one day nor more  
42 than ~~90~~ 120 days next following the date of filing such application, on a disability retirement  
43 allowance: Provided, that the medical board, after a medical examination of such member, shall  
44 certify that such member is mentally or physically incapacitated for the further performance of  
45 duty, that such incapacity was incurred at the time of active employment and has been  
46 continuous thereafter, that such incapacity is likely to be permanent, and that such member  
47 should be retired; Provided further the medical board shall determine if the member is able to  
48 engage in gainful employment and, if so, the member may still be retired and the disability  
49 retirement allowance as a result thereof shall be reduced as in subsection (e) below. Provided  
50 further, that the Medical Board shall not certify any member as disabled who:

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

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

Notwithstanding the requirement of five or more years of creditable service to the contrary, a member who is a law enforcement officer or a fireman as defined in G.S. 58-86-25 or rescue squad worker as defined in G.S. 58-86-30 and who has had one year or more of creditable service and becomes incapacitated for duty as the natural and proximate result of an accident occurring while in the actual performance of duty, and meets all other requirements for disability retirement benefits, may be retired by the Board of Trustees on a disability retirement allowance.

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

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

- (1) The member had designated as the principal beneficiary, to receive a return of accumulated contributions at the time of his death, one and only one person, and
- (2) The member had not instructed the Board of Trustees in writing that he did not wish the provision of this subsection to apply."

**SECTION 3.(l)** G.S. 120-4.22(a) reads as rewritten:

"(a) Eligibility; Application. – Upon application by or on behalf of the member, any member in service who has completed at least five years of creditable service and who has not reached his 60th birthday may, after medical certification, be retired on a disability retirement allowance by the Board of Trustees on the first day of the particular calendar month designated by the applicant. The designated date shall be no less than one day nor more than 90 120 days from the filing of the application."

**SECTION 4.(a)** G.S. 128-32.1 reads as rewritten:

**"§ 128-32.1. Failure to respond.**

If a member fails to respond in any way within 90 days after preliminary option figures and ~~Form 6-E, Election of Benefits, the Form 6-E are mailed, the Form 6, Application for Service, Early, or Disability Retirement, the Form 6~~ shall be null and void; the retirement system shall not be liable for any benefits due on account of the voided application, and a new application must be filed establishing a subsequent effective date of retirement. If an applicant for disability retirement fails to furnish requested additional medical information within 90 days following such request, the application shall be declared null and void under the same conditions outlined above, unless the applicant is eligible for early or service retirement in

1 which case the application shall be processed accordingly, using the same effective date as  
2 would have been used had the application for disability retirement been approved."

3 **SECTION 4.(b)** G.S. 135-10.1 reads as rewritten:

4 **"§ 135-10.1. Failure to respond.**

5 If a member fails to respond in any way within 90 days after preliminary option figures and  
6 ~~Form 6-E, Election of Benefits, the Form 6-E~~ are mailed, ~~the Form 6, Application for Service,~~  
7 ~~Early or Disability Retirement, the Form 6~~ shall be null and void; the retirement system shall  
8 not be liable for any benefits due on account of the voided application, and a new application  
9 must be filed establishing a subsequent effective date of retirement. If an applicant for  
10 disability retirement fails to furnish requested additional medical information within 90 days  
11 following such request, the application shall be declared null and void under the same  
12 conditions outlined above, unless the applicant is eligible for early or service retirement in  
13 which case the application shall be processed accordingly, using the same effective date as  
14 would have been used had the application for disability retirement been approved."

15 **SECTION 5.(a)** G.S. 135-5(g) reads as rewritten:

16 "(g) Election of Optional Allowance. – With the provision that until the first payment on  
17 account of any benefit becomes normally due, or his first retirement check has been cashed,  
18 any member may elect to receive his benefits in a retirement allowance payable throughout life,  
19 or he may elect to receive the actuarial equivalent of such retirement allowance, including any  
20 special retirement allowance, in a reduced allowance payable throughout life under the  
21 provisions of one of the options set forth below. The election of Option 2 or Option 3 or  
22 nomination of the person thereunder shall be revoked if such person nominated dies prior to the  
23 date the first payment becomes normally due or until the first retirement check has been cashed.  
24 Such election may be revoked by the member prior to the date the first payment becomes  
25 normally due or until his first retirement check has been cashed. Provided, however, in the  
26 event a member has elected Option 2 or Option 3 and nominated his or her spouse to receive a  
27 retirement allowance upon the member's death, and the spouse predeceases the member after  
28 the first payment becomes normally due or the first retirement check has been cashed, if the  
29 member remarries he or she may request to nominate a new spouse to receive the retirement  
30 allowance under the previously elected option, within 90 days of the remarriage, and may  
31 nominate a new spouse to receive the retirement allowance under the previously elected option  
32 by written designation duly acknowledged and filed with the Board of Trustees within 120 days  
33 of the remarriage. The new nomination shall be effective on the first day of the month in which  
34 it is made and shall provide for a retirement allowance computed to be the actuarial equivalent  
35 of the retirement allowance in effect immediately prior to the effective date of the new  
36 nomination. Any member having elected Options 2, 3, or 6 and nominated his or her spouse to  
37 receive a retirement allowance upon the member's death may, after divorce from his or her  
38 spouse, revoke the nomination and elect a new option, effective on the first day of the month in  
39 which the new option is elected, providing for a retirement allowance computed to be the  
40 actuarial equivalent of the retirement allowance in effect immediately prior to the effective date  
41 of the new option.

42 Option 1.(a) In the Case of a Member Who Retires prior to July 1, 1963. – If he dies  
43 before he has received in annuity payments the present value of his annuity  
44 as it was at the time of his retirement, the balance shall be paid to his legal  
45 representatives or to such person as he shall nominate by written designation  
46 duly acknowledged and filed with the Board of Trustees.

47 (b) In the Case of a Member Who Retires on or after July 1, 1963, but prior to  
48 July 1, 1993. – If he dies within 10 years from his retirement date, an amount  
49 equal to his accumulated contributions at retirement, less 1/120 thereof for  
50 each month for which he has received a retirement allowance payment, shall  
51 be paid to his legal representatives or to such person as he shall nominate by

written designation duly acknowledged and filed with the Board of Trustees;

or

Option 2. Upon his death his reduced retirement allowance shall be continued throughout the life of and paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees at the time of his retirement, provided that if the person selected is other than his spouse the reduced retirement allowance payable to the member shall not be less than one half of the retirement allowance without optional modification which would otherwise be payable to him; or

Option 3. Upon his death, one half of his reduced retirement allowance shall be continued throughout the life of, and paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees at the time of his retirement; or

Option 4. Adjustment of Retirement Allowance for Social Security Benefits. – Until the first payment on account of any benefit becomes normally due, any member may elect to convert his benefit otherwise payable on his account after retirement into a retirement allowance of equivalent actuarial value of such amount that with his benefit under Title II of the Federal Social Security Act, he will receive, so far as possible, approximately the same amount per year before and after the earliest age at which he becomes eligible, upon application therefor, to receive a social security benefit.

Option 5. For Members Retiring Prior to July 1, 1993. – The member may elect to receive a reduced retirement allowance under the conditions of Option 2 or Option 3, as provided for above, with the modification that if both he and the person nominated die within 10 years from his retirement date, an amount equal to his accumulated contributions at retirement, less 1/120 thereof for each month for which a retirement allowance has been paid, shall be paid to his legal representatives or to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees.

Option 6. A member may elect either Option 2 or Option 3 with the added provision that in the event the designated beneficiary predeceases the member, the retirement allowance payable to the member after the designated beneficiary's death shall be equal to the retirement allowance which would have been payable had the member not elected the option.

Upon the death of a member after the effective date of a retirement for which the member has been approved and following receipt by the Board of Trustees of an election of benefits, but prior to the cashing of the first benefit check, the retirement benefit shall be payable as provided by the member's election of benefits under this subsection."

**SECTION 5.(b) G.S. 135-5(g1) reads as rewritten:**

"(g1) In the event of the death of a retired member while in receipt of a retirement allowance under the provisions of this Article, there shall be paid to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions of the retiree at the date of retirement over the total of the retirement allowances paid prior to the death of the retiree. For purposes of this paragraph, the term "accumulated contributions" includes amounts of employee voluntary contributions that were transferred from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible law enforcement officers.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the retirement allowances paid to the retiree and the designated survivor combined equals the amount of the accumulated contributions of the retiree at the date of retirement, the excess, if any, of such accumulated contributions over the total of the retirement allowances paid to the retiree and the survivor combined shall be paid in a lump sum to such person or persons as the retiree shall have

1 nominated by written designation duly acknowledged and filed with the Board of Trustees, if  
2 such person or persons are living at the time such payment falls due, otherwise to the retiree's  
3 legal representative. For purposes of this paragraph, the term "accumulated contributions"  
4 includes amounts of employee voluntary contributions that were transferred from the  
5 Supplemental Retirement Income Plan of North Carolina to this Retirement System at  
6 retirement by eligible law enforcement officers.

7 In the event that a retirement allowance becomes payable to the principal beneficiary  
8 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
9 section and that beneficiary dies before the total of the retirement allowances paid equals the  
10 amount of the accumulated contributions of the member at the date of the member's death, the  
11 excess of those accumulated contributions over the total of the retirement allowances paid to  
12 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
13 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
14 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
15 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
16 amounts of employee voluntary contributions that were transferred from the Supplemental  
17 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
18 law enforcement officers.

19 In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be  
20 paid to such person or persons as the retiree shall have nominated by written designation duly  
21 acknowledged and filed with the Board of Trustees, if such person or persons are living at the  
22 time of the retiree's death, otherwise to the retiree's legal representatives, an additional death  
23 benefit equal to the excess, if any, of the cost of the creditable service purchased less the  
24 administrative fee, if any, over the total of the increase in the retirement allowance attributable  
25 to the additional creditable service, paid from the month following the month in which payment  
26 was received to the death of the retiree.

27 In the event that a retirement allowance becomes payable to the designated survivor of a  
28 retired member under the provisions above and such retirement allowance to the survivor shall  
29 terminate upon the death of the survivor before the total of the increase in the retirement  
30 allowance attributable to the additional creditable service paid to the retiree and the designated  
31 survivor combined equals the cost of the creditable service purchased less the administrative  
32 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
33 have nominated by written designation duly acknowledged and filed with the Board of  
34 Trustees, if such person or persons are living at the time such payment falls due, otherwise to  
35 the retiree's legal representative.

36 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
37 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
38 the member's estate."

39 **SECTION 5.(c) G.S. 135-5(m) reads as rewritten:**

40 "(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the principal  
41 beneficiary designated to receive a return of accumulated contributions shall have the right to  
42 elect to receive in lieu thereof the reduced retirement allowance provided by Option 2 of  
43 subsection (g) above computed by assuming that the member had retired on the first day of the  
44 month following the date of his death, provided that the following conditions apply:

- 45 (1) a. The member had attained such age and/or creditable service to be  
46 eligible to commence retirement with an early or service retirement  
47 allowance,  
48 b. The member had obtained 20 years of creditable service in which  
49 case the retirement allowance shall be computed in accordance with  
50 G.S. 135-5(b19)(1)b. or G.S. 135-5(b19)(2)c., notwithstanding the  
51 requirement of obtaining age 50, or

c. The member had not commenced to receive a retirement allowance as provided under this Chapter.

(2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who was living at the time of his death.

(3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection to apply.

For the purpose of this benefit, a member is considered to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service. The last day of actual service shall be determined as provided in subsection (1) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase. The term "in service" as used in this subsection includes a member in receipt of a benefit under the Disability Income Plan as provided in Article 6 of this Chapter.

Notwithstanding the foregoing, a member who is in receipt of Workers' Compensation during the period for which the member would have otherwise been eligible to receive short-term benefits, as provided in G.S. 135-105, and who dies on or after 181 days from the last day of the member's actual service but on or before the date the benefits as provided in G.S. 135-105 would have ended, shall be considered in service at the time of the member's death for the purpose of this benefit.

For the purpose of calculating this benefit, any terminal payouts made after the date of death that meet the definition of compensation shall be credited to the month prior to the month of death. These terminal payouts do not include salary or wages paid for work performed during the month of death.

Upon the death of a member after the effective date of a retirement for which the member has been approved but prior to the receipt by the Board of Trustees of an election of benefits properly acknowledged and filed by the member, the member's designated beneficiary for a return of accumulated contributions may elect to receive the benefit provided for in this subsection."

**SECTION 5.(d)** G.S. 128-27(g) reads as rewritten:

"(g) Election of Optional Allowance. – With the provision that until the first payment on account of any benefit becomes normally due, or his first retirement check has been cashed, any member may elect to receive his benefits in a retirement allowance payable throughout life, or he may elect to receive the actuarial equivalent of such retirement allowance, including any special retirement allowance, in a reduced allowance payable throughout life under the provisions of one of the Options set forth below. The election of Option two or Option three or nomination of the person thereunder shall be revoked if such person nominated dies prior to the date the first payment becomes normally due or the first retirement check has been cashed. Such election may be revoked by the member prior to the date the first payment becomes normally due or his first retirement check has been cashed. Provided, however, in the event a member has elected Option 2 or Option 3 and nominated his or her spouse to receive a retirement allowance upon the member's death, and the spouse predeceases the member after the first payment becomes normally due or the first retirement check has been cashed, if the member remarries he or she may request to nominate a new spouse to receive the retirement allowance under the previously elected option, within 90 days of the remarriage, and may nominate a new spouse to receive the retirement allowance under the previously elected option by written designation duly acknowledged and filed with the Board of Trustees within 120 days of the remarriage. The new nomination shall be effective on the first day of the month in which it is made and shall provide for a retirement allowance computed to be the actuarial equivalent

1 of the retirement allowance in effect immediately prior to the effective date of the new  
2 nomination. Any member having elected Options two, three, or six and nominated his or her  
3 spouse to receive a retirement allowance upon the member's death may, after divorce from his  
4 or her spouse, revoke the nomination and elect a new option, effective on the first day of the  
5 month in which the new option is elected, providing for a retirement allowance computed to be  
6 the actuarial equivalent of the retirement allowance in effect immediately prior to the effective  
7 date of the new option.

8 Option one.

9 (a) In the Case of a Member Who Retires prior to July 1, 1965. – If he dies  
10 before he has received in annuity payments the present value of his annuity  
11 as it was at the time of his retirement, the balance shall be paid to such  
12 person as he shall nominate by written designation duly acknowledged and  
13 filed with the Board of Trustees or, if none, to his legal representative.

14 (b) In the Case of a Member Who Retires on or after July 1, 1965, but prior to  
15 July 1, 1993. – If he dies within 10 years from his retirement date, an amount  
16 equal to his accumulated contributions at retirement, less one  
17 one-hundred-twentieth thereof for each month for which he has received a  
18 retirement allowance payment, shall be paid to such person as he shall  
19 nominate by written designation duly acknowledged and filed with the  
20 Board of Trustees or, if none, to his legal representative; or

21 Option two. Upon his death his reduced retirement allowance shall be continued throughout  
22 the life of and paid to such person as he shall nominate by written designation duly  
23 acknowledged and filed with the Board of Trustees at the time of his retirement, provided that  
24 if the person selected is other than his spouse the reduced retirement allowance payable to the  
25 member shall not be less than one half of the retirement allowance without optional  
26 modification which would otherwise be payable to him; or

27 Option three. Upon his death, one half of his reduced retirement allowance shall be  
28 continued throughout the life of, and paid to such person as he shall nominate by written  
29 designation duly acknowledged and filed with the Board of Trustees at the time of his  
30 retirement; or

31 Option four. Adjustment of Retirement Allowance for Social Security Benefits. – Until the  
32 first payment on account of any benefit becomes normally due, any member may elect to  
33 convert his benefit otherwise payable on his account after retirement into a retirement  
34 allowance of equivalent actuarial value of such amount that with his benefit under Table Title  
35 II of the Federal Social Security Act, he will receive, so far as possible, approximately the same  
36 amount per year before and after the earliest age at which he becomes eligible, upon application  
37 therefor, to receive a social security benefit.

38 Option five. For Members Retiring prior to July 1, 1993. – The member may elect to  
39 receive a reduced retirement allowance under the conditions of Option two or Option three, as  
40 provided for above, with the modification that if both he and the person nominated die within  
41 10 years from his retirement date, an amount equal to his accumulated contributions at  
42 retirement, less 1/120th thereof for each month for which a retirement allowance has been paid,  
43 shall be paid to his legal representatives or to such person as he shall nominate by written  
44 designation duly acknowledged and filed with the Board of Trustees.

45 Option six. A member may elect either Option two or Option three with the added provision  
46 that in the event the designated beneficiary predeceases the member, the retirement allowance  
47 payable to the member after the designated beneficiary's death shall be equal to the retirement  
48 allowance which would have been payable had the member not elected the option.

49 Upon the death of a member after the effective date of a retirement for which the member  
50 has been approved and following receipt by the Board of Trustees of an election of benefits, but



1 prior to the cashing of the first benefit check, the retirement benefit shall be payable as  
2 provided by the member's election of benefits under this subsection."

3 **SECTION 5.(e)** G.S. 128-27(g1) reads as rewritten:

4 "(g1) In the event of the death of a retired member while in receipt of a retirement  
5 allowance under the provisions of this Article, there shall be paid to such person or persons as  
6 the retiree shall have nominated by written designation duly acknowledged and filed with the  
7 Board of Trustees, if such person or persons are living at the time of the retiree's death,  
8 otherwise to the retiree's legal representatives, a death benefit equal to the excess, if any, of the  
9 accumulated contributions of the retiree at the date of retirement over the total of the retirement  
10 allowances paid prior to the death of the retiree. For purposes of this paragraph, the term  
11 "accumulated contributions" includes amounts of employee voluntary contributions that were  
12 transferred from the Supplemental Retirement Income Plan of North Carolina to this  
13 Retirement System at retirement by eligible law enforcement officers.

14 In the event that a retirement allowance becomes payable to the designated survivor of a  
15 retired member under the provisions above and such retirement allowance to the survivor shall  
16 terminate upon the death of the survivor before the total of the retirement allowances paid to  
17 the retiree and the designated survivor combined equals the amount of the accumulated  
18 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
19 contributions over the total of the retirement allowances paid to the retiree and the survivor  
20 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
21 nominated by written designation duly acknowledged and filed with the Board of Trustees, if  
22 such person or persons are living at the time such payment falls due, otherwise to the retiree's  
23 legal representative. For purposes of this paragraph, the term "accumulated contributions"  
24 includes amounts of employee voluntary contributions that were transferred from the  
25 Supplemental Retirement Income Plan of North Carolina to this Retirement System at  
26 retirement by eligible law enforcement officers.

27 In the event that a retirement allowance becomes payable to the principal beneficiary  
28 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
29 section and that beneficiary dies before the total of the retirement allowances paid equals the  
30 amount of the accumulated contributions of the member at the date of the member's death, the  
31 excess of those accumulated contributions over the total of the retirement allowances paid to  
32 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
33 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
34 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
35 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
36 amounts of employee voluntary contributions that were transferred from the Supplemental  
37 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
38 law enforcement officers.

39 In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be  
40 paid to such person or persons as the retiree shall have nominated by written designation duly  
41 acknowledged and filed with the Board of Trustees, if such person or persons are living at the  
42 time of the retiree's death, otherwise to the retiree's legal representatives, an additional death  
43 benefit equal to the excess, if any, of the cost of the creditable service purchased less the  
44 administrative fee, if any, over the total of the increase in the retirement allowance attributable  
45 to the additional creditable service, paid from the month following the month in which payment  
46 was received to the death of the retiree.

47 In the event that a retirement allowance becomes payable to the designated survivor of a  
48 retired member under the provisions above, and such retirement allowance to the survivor shall  
49 terminate upon the death of the survivor before the total of the increase in the retirement  
50 allowance attributable to the additional creditable service paid to the retiree and the designated  
51 survivor combined equals the cost of the creditable service purchased less the administrative

1 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
2 have nominated by written designation duly acknowledged and filed with the Board of  
3 Trustees, if such person or persons are living at the time such payment falls due, otherwise to  
4 the retiree's legal representative.

5 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
6 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
7 the member's estate."

8 **SECTION 5.(f)** G.S. 128-27(m) reads as rewritten:

9 "(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the principal  
10 beneficiary designated to receive a return of accumulated contributions shall have the right to  
11 elect to receive in lieu thereof the reduced retirement allowance provided by Option two of  
12 subsection (g) above computed by assuming that the member had retired on the first day of the  
13 month following the date of his death, provided that all three of the following conditions apply:

- 14 (1) a. The member had attained such age and/or creditable service to be  
15 eligible to commence retirement with an early or service retirement  
16 allowance, or
- 17 b. The member had obtained 20 years of creditable service in which  
18 case the retirement allowance shall be computed in accordance with  
19 G.S. 128-27(b21)(1)b. or G.S. 128-27(b21)(2)c., notwithstanding the  
20 requirement of obtaining age 50, or
- 21 c. The member had not commenced to receive a retirement allowance  
22 as provided under this Chapter.
- 23 (2) The member had designated as the principal beneficiary to receive a return  
24 of his accumulated contributions one and only one person who is living at  
25 the time of his death.
- 26 (3) The member had not instructed the Board of Trustees in writing that he did  
27 not wish the provisions of this subsection apply.

28 For the purpose of this benefit, a member is considered to be in service at the date of his  
29 death if his death occurs within 180 days from the last day of his actual service. The last day of  
30 actual service shall be determined as provided in subsection (l) of this section. Upon the death  
31 of a member in service, the surviving spouse may make all purchases for creditable service as  
32 provided for under this Chapter for which the member had made application in writing prior to  
33 the date of death, provided that the date of death occurred prior to or within 60 days after  
34 notification of the cost to make the purchase.

35 For the purpose of calculating this benefit, any terminal payouts made after the date of  
36 death that meet the definition of compensation shall be credited to the month prior to the month  
37 of death. These terminal payouts do not include salary or wages paid for work performed  
38 during the month of death.

39 Upon the death of a member after the effective date of a retirement for which the member  
40 has been approved but prior to the receipt by the Board of Trustees of an election of benefits  
41 properly acknowledged and filed by the member, the member's designated beneficiary for a  
42 return of accumulated contributions may elect to receive the benefit provided for in this  
43 subsection."

44 **SECTION 6.(a)** G.S. 135-5(l) reads as rewritten:

45 "(l) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan  
46 (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is  
47 separate and apart from the Retirement System and under which the members of the Retirement  
48 System shall participate and be eligible for group life insurance benefits. Upon receipt of proof,  
49 satisfactory to the Board of Trustees in their capacity as trustees under the Group Life  
50 Insurance Plan, of the death, in service, of a member who had completed at least one full  
51 calendar year of membership in the Retirement System, there shall be paid to such person as he

1 shall have nominated by written designation duly acknowledged and filed with the Board of  
2 Trustees, if such person is living at the time of the member's death, otherwise to the member's  
3 legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

- 4 (1) The compensation on which contributions were made by the member during  
5 the calendar year preceding the year in which his death occurs, or
- 6 (2) The greatest compensation on which contributions were made by the  
7 member during a 12-month period of service within the 24-month period of  
8 service ending on the last day of the month preceding the month in which his  
9 last day of actual service occurs;

10 (3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2.  
11 subject to a minimum of twenty-five thousand dollars (\$25,000) and to a maximum of fifty  
12 thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the  
13 payment of the member's accumulated contributions under the System on his death pursuant to  
14 the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be  
15 deemed to be in service at the date of his death if his death occurs within 180 days from the last  
16 day of his actual service.

17 The death benefit provided in this subsection (l) shall not be payable, notwithstanding the  
18 member's compliance with all the conditions set forth in the preceding paragraph, if his death  
19 occurs

- 20 (1) After December 31, 1968 and after he has attained age 70; or
- 21 (2) After December 31, 1969 and after he has attained age 69; or
- 22 (3) After December 31, 1970 and after he has attained age 68; or
- 23 (4) After December 31, 1971 and after he has attained age 67; or
- 24 (5) After December 31, 1972 and after he has attained age 66; or
- 25 (6) After December 31, 1973 and after he has attained age 65; or
- 26 (7) After December 31, 1978, but before January 1, 1987, and after he has  
27 attained age 70.

28 Notwithstanding the above provisions, the death benefit shall be payable on account of the  
29 death of any member who died or dies on or after January 1, 1974, but before January 1, 1979,  
30 after attaining age 65, if he or she had not yet attained age 65, if he or she had not yet attained  
31 age 66, was at the time of death completing the work year for those individuals under specific  
32 contract, or during the fiscal year for those individuals not under specific contract, in which he  
33 or she attained 65, and otherwise met all conditions for payment of the death benefit.

34 Notwithstanding the above provisions, the Board of Trustees may and is specifically  
35 authorized to provide the death benefit according to the terms and conditions otherwise  
36 appearing in this Plan in the form of group life insurance, either (i) by purchasing a contract or  
37 contracts of group life insurance with any life insurance company or companies licensed and  
38 authorized to transact business in this State for the purpose of insuring the lives of members in  
39 service, or (ii) by establishing a separate trust fund qualified under Section 501(c)(9) of the  
40 Internal Revenue Code of 1954, as amended, for such purpose. To that end the Board of  
41 Trustees is authorized, empowered and directed to investigate the desirability of utilizing group  
42 life insurance by either of the foregoing methods for the purpose of providing the death benefit.  
43 If a separate trust fund is established, it shall be operated in accordance with rules and  
44 regulations adopted by the Board of Trustees and all investment earnings on the trust fund shall  
45 be credited to such fund.

46 In administration of the death benefit the following shall apply:

- 47 (1) For the purpose of determining eligibility only, in this subsection "calendar  
48 year" shall mean any period of 12 consecutive months or, if less, the period  
49 covered by an annual contract of employment. For all other purposes in this  
50 subsection "calendar year" shall mean the 12 months beginning January 1  
51 and ending December 31.

- 1 (2) Last day of actual service shall be:  
2 a. When employment has been terminated, the last day the member  
3 actually worked.  
4 b. When employment has not been terminated, the date on which an  
5 absent member's sick and annual leave expire, unless he is on  
6 approved leave of absence and is in service under the provisions of  
7 G.S. 135-4(h).  
8 c. When a participant's employment is interrupted by reason of service  
9 in the Uniformed Services, as that term is defined in section 4303(16)  
10 of the Uniformed Services Employment and Reemployment Rights  
11 Act, Public Law 103-353, and the participant does not return  
12 immediately after that service to employment with a covered  
13 employer in this System, the date on which the participant was first  
14 eligible to be separated or released from his or her involuntary  
15 military service.
- 16 (3) For a period when a member is on leave of absence, his status with respect to  
17 the death benefit will be determined by the provisions of G.S. 135-4(h).
- 18 (4) A member on leave of absence from his position as a teacher or State  
19 employee for the purpose of serving as a member or officer of the General  
20 Assembly shall be deemed to be in service during sessions of the General  
21 Assembly and thereby covered by the provisions of the death benefit. The  
22 amount of the death benefit for such member shall be the equivalent of the  
23 salary to which the member would have been entitled as a teacher or State  
24 employee during the 12-month period immediately prior to the month in  
25 which death occurred, not to be less than twenty-five thousand dollars  
26 (\$25,000) nor to exceed fifty thousand dollars (\$50,000).

27 The provisions of the Retirement System pertaining to Administration, G.S. 135-6, and  
28 management of funds, G.S. 135-7, are hereby made applicable to the Plan.

29 A member who is a beneficiary of the Disability Income Plan provided for in Article 6 of  
30 this Chapter, or a member who is in receipt of Workers' Compensation during the period for  
31 which he or she would have otherwise been eligible to receive short-term benefits as provided  
32 in G.S. 135-105 and dies on or after 181 days from the last day of his or her actual service but  
33 prior to the date the benefits as provided in G.S. 135-105 would have ended, shall be eligible  
34 for group life insurance benefits as provided in this subsection, notwithstanding that the  
35 member is no longer an employee or teacher or that the member's death occurs after the  
36 eligibility period after active service. The basis of the death benefit payable hereunder shall be  
37 the higher of the death benefit computed as above or a death benefit based on compensation  
38 used in computing the benefit payable under G.S. 135-105 and G.S. 135-106, as may be  
39 adjusted for percentage post-disability increases, all subject to the maximum dollar limitation  
40 as provided above. A member in receipt of benefits from the Disability Income Plan under the  
41 provisions of G.S. 135-112 whose right to a benefit accrued under the former Disability Salary  
42 Continuation Plan shall not be covered under the provisions of this paragraph.

43 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
44 subsection, of the death of a retired member of the Retirement System on or after July 1, 1988,  
45 but before January 1, 1999, there shall be paid a death benefit to the surviving spouse of the  
46 deceased retired member or to the deceased retired member's legal representative if not  
47 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
48 has continuously made, in advance of his death required contributions as determined by the  
49 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
50 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
51 administered by the Board of Trustees separate and apart from the Retirement System's

1 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum  
2 payment in the amount of five thousand dollars (\$5,000) upon the completion of twenty-four  
3 months of contributions required under this subsection. Should death occur before the  
4 completion of twenty-four months of contributions required under this subsection, the deceased  
5 retired member's surviving spouse or legal representative if not survived by a spouse shall be  
6 paid the sum of the retired member's contributions required by this subsection plus interest to  
7 be determined by the Board of Trustees.

8 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
9 subsection, of the death of a retired member of the Retirement System on or after January 1,  
10 1999, but before July 1, 2004, there shall be paid a death benefit to the surviving spouse of the  
11 deceased retired member or to the deceased retired member's legal representative if not  
12 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
13 has continuously made, in advance of his death required contributions as determined by the  
14 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
15 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
16 administered by the Board of Trustees separate and apart from the Retirement System's  
17 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum  
18 payment in the amount of six thousand dollars (\$6,000) upon the completion of 24 months of  
19 contributions required under this subsection. Should death occur before the completion of 24  
20 months of contributions required under this subsection, the deceased retired member's surviving  
21 spouse or legal representative if not survived by a spouse shall be paid the sum of the retired  
22 member's contributions required by this subsection plus interest to be determined by the Board  
23 of Trustees.

24 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
25 subsection, of the death of a retired member of the Retirement System on or after July 1, 2004,  
26 but before July 1, 2007, there shall be paid a death benefit to the surviving spouse of the  
27 deceased retired member or to the deceased retired member's legal representative if not  
28 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
29 has continuously made, in advance of his death required contributions as determined by the  
30 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
31 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
32 administered by the Board of Trustees Fund and Pension Accumulation Fund. This death  
33 benefit shall be a lump-sum payment in the amount of nine thousand dollars (\$9,000) upon the  
34 completion of 24 months of contributions required under this subsection. Should death occur  
35 before the completion of 24 months of contributions required under this subsection, the  
36 deceased retired member's surviving spouse or legal representative if not survived by a spouse  
37 shall be paid the sum of the retired member's contributions required by this subsection plus  
38 interest to be determined by the Board of Trustees.

39 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
40 subsection, of the death of a retired member of the Retirement System on or after July 1, 2007,  
41 there shall be paid a death benefit to the surviving spouse of the deceased retired member or to  
42 the deceased retired member's legal representative if not survived by a spouse; provided the  
43 retired member has elected, when first eligible, to make, and has continuously made, in  
44 advance of his death required contributions as determined by the Board of Trustees on a fully  
45 contributory basis, through retirement allowance deductions or other methods adopted by the  
46 Board of Trustees, to a group death benefit trust fund administered by the Board of Trustees  
47 Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the  
48 amount of ten thousand dollars (\$10,000) upon the completion of 24 months of contributions  
49 required under this subsection. Should death occur before the completion of 24 months of  
50 contributions required under this subsection, the deceased retired member's surviving spouse or  
51 legal representative if not survived by a spouse shall be paid the sum of the retired member's

contributions required by this subsection plus interest to be determined by the Board of Trustees."

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

"(l) **Death Benefit Plan.** – The provisions of this subsection shall become effective for any employer only after an agreement to that effect has been executed by the employer and the Director of the Retirement System. There is hereby created a Group Life Insurance Plan (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is separate and apart from the Retirement System and under which the members of the Retirement System shall participate and be eligible for group life insurance benefits. Upon receipt of proof, satisfactory to the Board of Trustees in their capacity as trustees under the Group Life Insurance Plan, of the death, in service, of a member who had completed at least one full calendar year of membership in the Retirement System, there shall be paid to such person as he shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

- (1) The compensation on which contributions were made by the member during the calendar year preceding the year in which his death occurs, or
- (2) The greatest compensation on which contributions were made by the member during a 12-month period of service within the 24-month period of service ending on the last day of the month preceding the month in which his last day of actual service occurs;
- (3) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2;

subject to a minimum of twenty-five thousand dollars (\$25,000) and a maximum of fifty thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the payment of the member's accumulated contributions under the System on his death pursuant to the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be deemed to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service.

The death benefit provided in this subsection shall not be payable, notwithstanding the member's compliance with all the conditions set forth in the preceding paragraph, if his death occurs

- (1) After June 30, 1969 and after he has attained age 70; or
- (2) After December 31, 1969 and after he has attained age 69; or
- (3) After December 31, 1970 and after he has attained age 68; or
- (4) After December 31, 1971 and after he has attained age 67; or
- (5) After December 31, 1972 and after he has attained age 66; or
- (6) After December 31, 1973 and after he has attained age 65; or
- (7) After December 31, 1978, but before January 1, 1987, and after he has attained age 70.

Notwithstanding the above provisions, the death benefit shall be payable on account of the death of any member who died or dies on or after January 1, 1974, but before January 1, 1979, after attaining age 65, if he or she had not yet attained age 65, if he or she had not yet attained age 66, was at the time of death completing the work year for those individuals under specific contract, or during the fiscal year for those individuals not under specific contract, in which he or she attained age 65, and otherwise met all conditions for payment of the death benefit.

Notwithstanding the above provisions, the Board of Trustees may and is specifically authorized to provide the death benefit according to the terms and conditions otherwise appearing in this Plan in the form of group life insurance, either (i) by purchasing a contract or contracts of group life insurance with any life insurance company or companies licensed and authorized to transact business in this State for the purpose of insuring the lives of members in service, or (ii) by establishing a separate trust fund qualified under section 501(c)(9) of the

Internal Revenue Code of 1954, as amended, for such purpose. To that end the Board of Trustees is authorized, empowered and directed to investigate the desirability of utilizing group life insurance by either of the foregoing methods for the purpose of providing the death benefit. If a separate trust fund is established, it shall be operated in accordance with rules and regulations adopted by the Board of Trustees and all investment earnings on the trust fund shall be credited to such fund.

In administration of the death benefit the following shall apply:

- (1) For the purpose of determining eligibility only, in this subsection "calendar year" shall mean any period of 12 consecutive months. For all other purposes in this subsection "calendar year" shall mean the 12 months beginning January 1 and ending December 31.
- (2) Last day of actual service shall be:
  - a. When employment has been terminated, the last day the member actually worked.
  - b. When employment has not been terminated, the date on which an absent member's sick and annual leave expire.
  - c. When a participant's employment is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, and the participant does not return immediately after that service to employment with a covered employer in this System, the date on which the participant was first eligible to be separated or released from his or her involuntary military service.
- (3) For a period when a member is on leave of absence, his status with respect to the death benefit will be determined by the provisions of G.S. 128-26(g).
- (4) A member on leave of absence from his position as a local governmental employee for the purpose of serving as a member or officer of the General Assembly shall be deemed to be in service during sessions of the General Assembly and thereby covered by the provisions of the death benefit, if applicable. The amount of the death benefit for such member shall be the equivalent of the salary to which the member would have been entitled as a local governmental employee during the 12-month period immediately prior to the month in which death occurred, not to be less than twenty-five thousand dollars (\$25,000) nor to exceed fifty thousand dollars (\$50,000).

The provisions of the Retirement System pertaining to administration, G.S. 128-28, and management of funds, G.S. 128-29, are hereby made applicable to the Plan."

**SECTION 6.(c)** G.S. 135-63 is amended by adding a new subsection to read:

"(e) For purposes of this subsection, a participant whose employment is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, shall be deemed to be "in service" until the last day of such service in the Uniformed Services. If the participant does not return immediately after that service to employment with a covered employer in this System, then the participant shall be deemed "in service" until the date on which the participant was first eligible to be separated or released from his or her involuntary military service."

**SECTION 6.(d)** G.S. 120-4.27 reads as rewritten:

**"§ 120-4.27. Death benefit.**

The designated beneficiary of a member who dies while in service after completing one year of creditable service shall receive a lump-sum payment of an amount equal to the deceased member's highest annual salary, to a maximum of fifteen thousand dollars (\$15,000). For



1 purposes of this death benefit "in service" means currently serving as a member of the North  
2 Carolina General Assembly. "In service" also means service in the Uniformed Services, as that  
3 term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment  
4 Rights Act, Public Law 103-353, if that service begins during the member's term of office. If  
5 the participant does not return immediately after that service to employment with a covered  
6 employer in this System, then the participant shall be deemed "in service" until the date on  
7 which the participant was first eligible to be separated or released from his or her involuntary  
8 military service.

9 The death benefit provided by this section shall be designated a group life insurance benefit  
10 payable under an employee welfare benefit plan that is separate and apart from the Retirement  
11 System but under which the members of the Retirement System shall participate and be eligible  
12 for group life insurance benefits. The Board of Trustees is authorized to provide the death  
13 benefit in the form of group life insurance either by purchasing a contract or contracts of group  
14 life insurance with any life insurance company or companies licensed and authorized to  
15 transact business in the State of North Carolina for the purpose of insuring the lives of qualified  
16 members in service, or by establishing or affiliating with a separate trust fund qualified under  
17 Section 501(c)(9) of the Internal Revenue Code of 1954, as amended.

18 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired  
19 member of the Retirement System or Retirement Fund on or after July 1, 1988, but before  
20 January 1, 1999, there shall be paid a death benefit to the surviving spouse of a deceased retired  
21 member, or to the deceased retired member's legal representative if not survived by a spouse;  
22 provided the retired member has elected, when first eligible, to make, and has continuously  
23 made, in advance of his death required contributions as determined by the Retirement System  
24 on a fully contributory basis, through retirement allowance deductions or other methods  
25 adopted by the Retirement System, to a group death benefit trust fund administered by the  
26 Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and  
27 Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of  
28 five thousand dollars (\$5,000) upon the completion of twenty-four months of contributions  
29 required under this subsection. Should death occur before the completion of twenty-four  
30 months of contributions required under this subsection, the deceased retired member's surviving  
31 spouse or legal representative if not survived by a spouse shall be paid the sum of the retired  
32 member's contributions required by this subsection plus interest to be determined by the Board  
33 of Trustees.

34 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired  
35 member of the Retirement System or Retirement Fund on or after January 1, 1999, but before  
36 July 1, 2004, there shall be paid a death benefit to the surviving spouse of a deceased retired  
37 member, or to the deceased retired member's legal representative if not survived by a spouse;  
38 provided the retired member has elected, when first eligible, to make, and has continuously  
39 made, in advance of his death required contributions as determined by the Retirement System  
40 on a fully contributory basis, through retirement allowance deductions or other methods  
41 adopted by the Retirement System, to a group death benefit trust fund administered by the  
42 Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and  
43 Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of  
44 six thousand dollars (\$6,000) upon the completion of 24 months of contributions required under  
45 this subsection. Should death occur before the completion of 24 months of contributions  
46 required under this subsection, the deceased retired member's surviving spouse or legal  
47 representative if not survived by a spouse shall be paid the sum of the retired member's  
48 contributions required by this subsection plus interest to be determined by the Board of  
49 Trustees.

50 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired  
51 member of the Retirement System or Retirement Fund on or after July 1, 2004, but before July



1, 2007, there shall be paid a death benefit to the surviving spouse of a deceased retired member, or to the deceased retired member's legal representative if not survived by a spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of his death required contributions as determined by the Retirement System on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Retirement System, to a group death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of nine thousand dollars (\$9,000) upon the completion of 24 months of contributions required under this subsection. Should death occur before the completion of 24 months of contributions required under this subsection, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be paid the sum of the retired member's contributions required by this subsection plus interest to be determined by the Board of Trustees.

Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired member of the Retirement System or Retirement Fund on or after July 1, 2007, there shall be paid a death benefit to the surviving spouse of a deceased retired member, or to the deceased retired member's legal representative if not survived by a spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of his death required contributions as determined by the Retirement System on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Retirement System, to a group death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of ten thousand dollars (\$10,000) upon the completion of 24 months of contributions required under this subsection. Should death occur before the completion of 24 months of contributions required under this subsection, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be paid the sum of the retired member's contributions required by this subsection plus interest to be determined by the Board of Trustees."

**SECTION 6.(e)** G.S. 135-1(7a) reads as rewritten:

"(7a) a. "Compensation" shall mean all salaries and wages prior to any reduction pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the Internal Revenue Code, not including any terminal payments for unused sick leave, derived from public funds which are earned by a member of the Retirement System for service as an employee or teacher in the unit of the Retirement System for which he is performing full-time work. In addition to the foregoing, "compensation" shall include:

1. Performance-based compensation (regardless of whether paid in a lump sum, in periodic installments, or on a monthly basis);
2. Conversion of additional benefits to salary (additional benefits such as health, life, or disability plans), so long as the benefits are other than mandated by State law or regulation;
3. Payment of tax consequences for benefits provided by the employer, so long as they constitute an adjustment or increase in salary and not a "reimbursement of expenses";
4. Payout of vacation leave so long as such payouts are permitted by applicable law and regulation; and
5. Employee contributions to eligible deferred compensation ~~plans-plans; and~~

6. Effective July 1, 2009, payment of military differential wages.

b. "Compensation" shall not include any payment, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances whether or not classified as salary and wages. "Compensation" includes all special pay contribution of annual leave made to a 401(a) Special Pay Plan for the benefit of an employee. Notwithstanding any other provision of this Chapter, "compensation" shall not include:

1. Supplement/allowance provided to employee to purchase additional benefits such as health, life, or disability plans;
2. Travel supplement/allowance (nonaccountable allowance plans);
3. Employer contributions to eligible deferred compensation plans;
4. Employer-provided fringe benefits (additional benefits such as health, life, or disability plans);
5. Reimbursement of uninsured medical expenses;
6. Reimbursement of business expenses;
7. Reimbursement of moving expenses;
8. Reimbursement/payment of personal expenses;
9. Incentive payments for early retirement;
10. Bonuses paid incident to retirement;
11. Contract buyout/severance payments; and
12. Payouts for unused sick leave.

c. In the event an employer reports as "compensation" payments not specifically included or excluded as "compensation", such payments shall be "compensation" for retirement purposes only if the employer pays the Retirement System the additional actuarial liability created by such payments."

**SECTION 6.(f) G.S.128-21(7a) reads as rewritten:**

"(7a) a. "Compensation" shall mean all salaries and wages prior to any reduction pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the Internal Revenue Code, not including any terminal payments for unused sick leave, derived from public funds which are earned by a member of the Retirement System for service as an employee in the unit of the Retirement System for which he is performing full-time work. In addition to the foregoing, "compensation" shall include:

1. Performance-based compensation (regardless of whether paid in a lump sum, periodic installments, or on a monthly basis);
2. Conversion of additional benefits to salary (additional benefits such as health, life, or disability plans), so long as the benefits are other than mandated by State law or regulation;
3. Payment of tax consequences for benefits provided by the employer so long as they constitute an adjustment or increase in salary and not a "reimbursement of expenses";
4. Payout of vacation leave so long as such payouts are permitted by applicable law and regulation; and
5. Employee contributions to eligible deferred compensation plans; plans; and

6. Effective July 1, 2009, payment of military differential wages.

- b. "Compensation" shall not include any payment, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances whether or not classified as salary and wages. Notwithstanding any other provision of this Chapter, "compensation" shall not include:
1. Supplement/allowance provided to employee to purchase additional benefits such as health, life, or disability plans;
  2. Travel supplement/allowance (nonaccountable allowance plans);
  3. Employer contributions to eligible deferred compensation plans;
  4. Employer-provided fringe benefits (additional benefits such as health, life, or disability plans);
  5. Reimbursement of uninsured medical expenses;
  6. Reimbursement of business expenses;
  7. Reimbursement of moving expenses;
  8. Reimbursement/payment of personal expenses;
  9. Incentive payments for early retirement;
  10. Bonuses paid incident to retirement;
  11. Contract buyout/severance payments; and
  12. Payouts for unused sick leave.
- c. In the event an employer reports as "compensation" payments not specifically included or excluded as "compensation", such payments shall be "compensation" for retirement purposes only if the employer pays the Retirement System the additional actuarial liability created by such payments."

**SECTION 6.(g)** G.S. 135-53(5) reads as rewritten:

- "(5) "Compensation" shall mean all salaries and wages derived from public funds which are earned by a member of the Retirement System for his service as a justice or judge, or district attorney, or clerk of superior court, or public defender, or the Director of Indigent Defense Services. Effective July 1, 2009, "compensation" also means payment of military differential wages."

**SECTION 6.(h)** G.S. 120-4.8(5) reads as rewritten:

- "(5) "Compensation" means salary and expense allowance paid for service as a legislator in the North Carolina General Assembly, exclusive of travel and per diem. Effective July 1, 2009, "compensation" also means payment of military differential wages."

**SECTION 6.(i)** G.S. 135-1(10) reads as rewritten:

- "(10) "Employee" shall mean all full-time employees, agents or officers of the State of North Carolina or any of its departments, bureaus and institutions other than educational, whether such employees are elected, appointed or employed: Provided that the term "employee" shall not include any person who is a member of the Consolidated Judicial Retirement System, any member of the General Assembly or any part-time or temporary employee. Notwithstanding any other provision of law, "employee" shall include all employees of the General Assembly except participants in the Legislative Intern Program, pages, and beneficiaries in receipt of a monthly retirement allowance under this Chapter who are reemployed on a temporary basis. "Employee" also includes any participant whose employment is interrupted

by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, if that participant was an employee at the time of the interruption; if the participant does not return immediately after that service to employment with a covered employer in this System, then the participant shall be deemed "in service" until the date on which the participant was first eligible to be separated or released from his or her involuntary military service. In all cases of doubt, the Board of Trustees shall determine whether any person is an employee as defined in this Chapter. "Employee" shall also mean every full-time civilian employee of the army national guard and air national guard of this State who is employed pursuant to section 709 of Title 32 of the United States Code and paid from federal appropriated funds, but held by the federal authorities not to be a federal employee: Provided, however, that the authority or agency paying the salaries of such employees shall deduct or cause to be deducted from each employee's salary the employee's contribution in accordance with applicable provisions of G.S. 135-8 and remit the same, either directly or indirectly, to the Retirement System; coverage of employees described in this sentence shall commence upon the first day of the calendar year or fiscal year, whichever is earlier, next following the date of execution of an agreement between the Secretary of Defense of the United States and the Adjutant General of the State acting for the Governor in behalf of the State, but no credit shall be allowed pursuant to this sentence for any service previously rendered in the above-described capacity as a civilian employee of the national guard: Provided, further, that the Adjutant General, in his discretion, may terminate the Retirement System coverage of the above-described national guard employees if a federal retirement system is established for such employees and the Adjutant General elects to secure coverage of such employees under such federal retirement system. Any full-time civilian employee of the national guard described above who is now or hereafter may become a member of the Retirement System may secure Retirement System credit for such service as a national guard civilian employee for the period preceding the time when such employees became eligible for Retirement System coverage by paying to the Retirement System an amount equal to that which would have constituted employee contributions if he had been a member during the years of ineligibility, plus interest. Employees of State agencies, departments, institutions, boards, and commissions who are employed in permanent job positions on a recurring basis and who work 30 or more hours per week for nine or more months per calendar year are covered by the provisions of this subdivision. On and after August 1, 2001, a person who is a nonimmigrant alien and who otherwise meets the requirements of this subdivision shall not be excluded from the definition of "employee" solely because the person holds a temporary or time-limited visa."

**SECTION 6.(j)** G.S. 128-21(10) reads as rewritten:

"(10) "Employee" shall mean any person who is regularly employed in the service of and whose salary or compensation is paid by the employer as defined in subdivision (11) of this section, whether employed or appointed for stated terms or otherwise, except teachers in the public schools and except such employees who hold office by popular election as are not required to devote a major portion of their time to the duties of their office. "Employee" also

means all full-time, paid firemen who are employed by any fire department that serves a city or county or any part of a city or county and that is supported in whole or in part by municipal or county funds. "Employee" also includes any participant whose employment is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, if that participant was an employee at the time of the interruption; if the participant does not return immediately after that service to employment with a covered employer in this System, then the participant shall be deemed "in service" until the date on which the participant was first eligible to be separated or released from his or her involuntary military service. In all cases of doubt the Board of Trustees shall decide who is an employee. On and after August 1, 2001, a person who is a nonimmigrant alien and who otherwise meets the requirements of this subdivision shall not be excluded from the definition of "employee" solely because the person holds a temporary or time-limited visa."

**SECTION 7.(a) G.S. 135-8(b2) reads as rewritten:**

"(b2) Retroactive Adjustment in Compensation or an Underreporting of Compensation. – A member or beneficiary who is awarded backpay in cases of a denied promotional opportunity in which the aggrieved member or beneficiary is granted a promotion retroactively, or in cases in which an employer errs in the reporting of compensation, including the employee and employer contributions, the member or beneficiary and employer may make employee and employer contributions on the retroactive or additional compensation, after submitting clear and convincing evidence of the retroactive promotion or underreporting of compensation, as follows:

- (1) Within 90 days of the denial of the promotion or the error in reporting, by the payment of employee and employer contributions that would have been paid; or
- (2) After 90 days of the denial of the promotion or the error in reporting, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

For members or beneficiaries electing to make the employee contributions on the retroactive adjustment in compensation or on the underreported compensation, the member's or beneficiary's employer, which granted the retroactive promotion or erred in underreporting compensation and contributions, shall make the required employer contributions. Nothing contained in this subsection shall prevent an employer from paying all or a part of the interest assessed on the employee contributions; and to the extent paid by the employer, the interest paid by the employer shall be credited to the pension accumulation fund; provided, however, an employer does not discriminate against any member or beneficiary or group of members or beneficiaries in his employ in paying all or any part of the interest assessed on the employee contributions due.

In the event the retroactive adjustment in compensation or the underreported compensation is for a period that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5) the compensation the member or beneficiary would have received during the period shall be included in calculating the member's or beneficiary's average final compensation only in the event the appropriate employee and employer contributions are paid on such compensation.

1 An employer error in underreporting compensation shall not include a retroactive increase  
2 in compensation that occurs during the four consecutive calendar years that would have  
3 produced the highest average annual compensation pursuant to G.S. 135-1(5) for reasons other  
4 than a wrongfully denied promotional opportunity where the member is promoted  
5 retroactively."

6 **SECTION 7.(b)** G.S. 128-30(b2) reads as rewritten:

7 "(b2) Retroactive Adjustment in Compensation or an Underreporting of Compensation. –  
8 A member or beneficiary who is awarded backpay in cases of a denied promotional opportunity  
9 in which the aggrieved member or beneficiary is granted a promotion retroactively, or in cases  
10 in which an employer errs in the reporting of compensation, including the employee and  
11 employer contributions, the member or beneficiary and employer may make employee and  
12 employer contributions on the retroactive or additional compensation after submitting clear and  
13 convincing evidence of the retroactive promotion or underreporting of compensation, as  
14 follows:

- 15 (1) Within 90 days of the denial of the promotion or the error in reporting, by  
16 the payment of employee and employer contributions that would have been  
17 paid; or
- 18 (2) After 90 days of the denial of the promotion or the error in reporting, by the  
19 payment of the employee and employer contributions that would have been  
20 paid plus interest compounded annually at a rate equal to the greater of the  
21 average yield on the pension accumulation fund for the preceding calendar  
22 year or the actuarial investment rate-of-return assumption, as adopted by the  
23 Board of Trustees.

24 For members or beneficiaries electing to make the employee contributions on the  
25 retroactive adjustment in compensation or on the underreported compensation, the member's or  
26 beneficiary's employer, which granted the retroactive promotion or erred in underreporting  
27 compensation and contributions, shall make the required employer contributions. Nothing  
28 contained in this subsection shall prevent an employer from paying all or a part of the interest  
29 assessed on the employee contributions; and to the extent paid by the employer, the interest  
30 paid by the employer shall be credited to the pension accumulation fund; provided, however, an  
31 employer does not discriminate against any member or beneficiary or group of members or  
32 beneficiaries in his employ in paying all or any part of the interest assessed on the employee  
33 contributions due.

34 In the event the retroactive adjustment in compensation or the underreported compensation  
35 is for a period that occurs during the four consecutive calendar years that would have produced  
36 the highest average annual compensation pursuant to G.S. 135-1(5), the compensation the  
37 member or beneficiary would have received during the period shall be included in calculating  
38 the member's or beneficiary's average final compensation only in the event the appropriate  
39 employee and employer contributions are paid on such compensation.

40 An employer error in underreporting compensation shall not include a retroactive increase  
41 in compensation that occurs during the four consecutive calendar years that would have  
42 produced the highest average annual compensation pursuant to G.S. 135-1(5), for reasons other  
43 than a wrongfully denied promotional opportunity where the member is promoted  
44 retroactively."

45 **SECTION 8.(a)** G.S. 135-3(8) is amended by adding a new sub-subdivision to  
46 read:

- 47 "c1. Employers shall report each reemployment covered by the provisions  
48 of sub-subdivision c. of this subdivision within 90 days of the  
49 reemployment, including the nature of the reemployment, the date of  
50 the reemployment, and the compensation. If such a report is not  
51 received within the required 90 days, the Board shall assess the

1                    employer with a penalty of one percent (1%) per month with a  
2                    minimum penalty of twenty-five dollars (\$25.00)."

3                    **SECTION 8.(b)** G.S. 128-24(5) is amended by adding a new sub-subdivision to  
4 read:

5                    "c1.   Employers shall report each reemployment covered by the provisions  
6                    of sub-subdivision c. of this subdivision within 90 days of the  
7                    reemployment, including the nature of the reemployment, the date of  
8                    the reemployment, and the compensation. If such a report is not  
9                    received within the required 90 days, the Board shall assess the  
10                   employer with a penalty of one percent (1%) per month with a  
11                   minimum penalty of twenty-five dollars (\$25.00)."

12                   **SECTION 9.** G.S. 135-5(c), amended by Section 3(d) of this act, reads as  
13 rewritten:

14                   "(c)   Disability Retirement Benefits of Members Leaving Service Prior to January 1,  
15                   1988. – The provisions of this subsection shall not be applicable to members in service on or  
16                   after January 1, 1988. Upon the application of a member or of his employer, any member who  
17                   has had five or more years of creditable service may be retired by the Board of Trustees, on the  
18                   first day of any calendar month, not less than one day nor more than 120 days next following  
19                   the date of filing such application, on a disability retirement allowance: Provided, that the  
20                   medical board, after a medical examination of such member, shall certify that such member is  
21                   mentally or physically incapacitated for the further performance of duty, that such incapacity  
22                   was incurred at the time of active employment and has been continuous thereafter, that such  
23                   incapacity is likely to be permanent, and that such member should be retired; Provided further  
24                   the medical board shall determine if the member is able to engage in gainful employment and,  
25                   if so, the member may still be retired and the disability retirement allowance as a result thereof  
26                   shall be reduced as in subsection (e) below. Provided further, that the medical board shall not  
27                   certify any member as disabled who:

- 28                   (1)   Applies for disability retirement based upon a mental or physical incapacity  
29                   which existed when the member first established membership in the system;  
30                   or  
31                   (2)   Is in receipt of any payments on account of the same disability which existed  
32                   when the member first established membership in the system.

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

36                   Supplemental disability benefits heretofore provided are hereby made a permanent part of  
37                   disability benefits after age 65, and shall not be discontinued at age 65.

38                   Notwithstanding the requirement of five or more years of creditable service to the contrary,  
39                   a member who is a law-enforcement officer and who has had one year or more of creditable  
40                   service and becomes incapacitated for duty as the natural and proximate result of an accident  
41                   occurring while in the actual performance of duty, and meets all other requirements for  
42                   disability retirement benefits, may be retired by the Board of Trustees on a disability retirement  
43                   allowance.

44                   Notwithstanding the foregoing to the contrary, any beneficiary who commenced retirement  
45                   with an early or service retirement benefit has the right, within three years of his retirement, to  
46                   convert to an allowance with disability retirement benefits without modification of any election  
47                   of optional allowance previously made; provided, the beneficiary presents clear and convincing  
48                   evidence that the beneficiary would have met all applicable requirements for disability  
49                   retirement benefits while still in service as a member. The allowance on account of disability  
50                   retirement benefits to the beneficiary shall be retroactive to the effective date of early or service  
51                   retirement.

1 Notwithstanding the foregoing, the surviving designated beneficiary of a deceased member  
2 who met all other requirements for disability retirement benefits, except whose death occurred  
3 before the first day of the calendar month in which the member's disability retirement  
4 allowance was to be due and payable, may elect to receive the reduced retirement allowance  
5 provided by a ~~fifty percent (50%)~~ one hundred percent (100%) joint and survivor payment  
6 option in lieu of a return of accumulated contributions, provided the following conditions  
7 apply:

- 8 (1) The member had designated as the principal beneficiary, to receive a return  
9 of accumulated contributions at the time of his death, one and only one  
10 person, and  
11 (2) The member had not instructed the Board of Trustees in writing that he did  
12 not wish the provision of this subsection to apply."

13 **SECTION 10.** G.S. 127A-40(b) reads as rewritten:

14 "(b) Payment to a retired member of the North Carolina national guard under the  
15 provisions of this section will cease at the death of the individual and no payment will be made  
16 to beneficiaries or to the decedent's ~~estate~~ estate, except that the legal representative of a  
17 retired member who dies shall be entitled to a full check for the month in which the death  
18 occurred."

19 **SECTION 11.(a)** G.S. 135-63(a) reads as rewritten:

20 "(a) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a  
21 member in service, there shall be paid in a lump sum to such person as the member shall have  
22 nominated by electronic submission prior to completing 10 years of service in a form approved  
23 by the Board of Trustees or by written designation duly acknowledged and filed with the Board  
24 of Trustees, if such person is living at the time of the member's death, otherwise to the  
25 member's legal representatives, a death benefit equal to the sum of (i) the member's  
26 accumulated contributions, plus (ii) the member's final compensation; provided, however, that  
27 if the member has attained his fiftieth birthday with at least five years of membership service at  
28 his date of death, and if the designated recipient of the death benefits is the member's spouse  
29 who survives him, and if the spouse so elects, then the lump-sum death benefit provided for  
30 herein shall consist only of a payment equal to the member's final compensation and there shall  
31 be paid to the surviving spouse an annual retirement allowance, payable monthly, which shall  
32 commence on the first day of the calendar month coinciding with or next following the death of  
33 the member and shall be continued on the first day of each month thereafter until the  
34 remarriage or death of the spouse. The amount of any such retirement allowance shall be equal  
35 to one half of the amount of the retirement allowance to which the member would have been  
36 entitled had he retired under the provisions of G.S. 135-57(a) on the first day of the calendar  
37 month coinciding with or next following his date of death, reduced by two percent (2%) thereof  
38 for each full year, if any, by which the age of the member at his date of death exceeds that of  
39 his spouse. If the retirement allowance to the spouse shall terminate on the remarriage or death  
40 of the spouse before the total of the retirement allowance payments made equals the amount of  
41 the member's accumulated contributions at date of death, the excess of such accumulated  
42 contributions over the total of the retirement allowances paid to the spouse shall be paid in a  
43 lump sum to such person as the member shall have nominated by electronic submission in a  
44 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
45 with the Board of Trustees, if such person is living at the time such payment falls due,  
46 otherwise to the former member's legal representatives."

47 **SECTION 11.(b)** G.S. 135-63(c) reads as rewritten:

48 "(c) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a  
49 member not in service, there shall be paid in a lump sum to such person as the member shall  
50 have nominated by electronic submission prior to completing 10 years of service in a form  
51 approved by the Board of Trustees or by written designation duly acknowledged and filed with



1 the Board of Trustees, if such person is living at the time of the member's death, otherwise to  
2 the member's legal representatives, a death benefit equal to the member's accumulated  
3 contributions."

4 **SECTION 11.(c)** G.S. 135-64(c) reads as rewritten:

5 "(c) In the event of the death of a former member while in receipt of a retirement  
6 allowance under the provisions of G.S. 135-58, 135-60, or 135-61, if such former member is  
7 not survived by a spouse to whom a retirement allowance is payable under the provisions of  
8 subsection (a) or subsection (b) above, nor survived by a beneficiary to whom a monthly  
9 survivorship benefit is payable under one of the optional modes of payment under G.S. 135-61,  
10 there shall be paid to such person as the member shall have nominated by electronic submission  
11 in a form approved by the Board of Trustees or by written designation duly acknowledged and  
12 filed with the Board of Trustees, if such person is living at the time of the member's death,  
13 otherwise to the member's legal representatives, a death benefit equal to the excess, if any, of  
14 the accumulated contributions of the member at his date of retirement over the total of the  
15 retirement allowances paid to him prior to his death."

16 **SECTION 11.(d)** G.S. 135-64(d) reads as rewritten:

17 "(d) In the event that a retirement allowance becomes payable to the spouse of a former  
18 member under the provisions of subsection (a) or subsection (b) above, or to the designated  
19 survivor of a former member under one of the optional modes of payment under G.S. 135-61,  
20 and such retirement allowance to the spouse shall terminate on the remarriage or death of the  
21 spouse, or on the death of the designated survivor, before the total of the retirement allowances  
22 paid to the former member and his spouse or designated survivor combined equals the amount  
23 of the member's accumulated contributions at his date of retirement, the excess of such  
24 accumulated contributions over the total of the retirement allowances paid to the former  
25 member and his spouse or designated survivor combined shall be paid in a lump sum to such  
26 person as the member shall have nominated by electronic submission in a form approved by the  
27 Board of Trustees or by written designation duly acknowledged and filed with the Board of  
28 Trustees, if such person is living at the time such payment falls due, otherwise to the former  
29 member's legal representatives."

30 **SECTION 11.(e)** G.S. 135-5(f) reads as rewritten:

31 "(f) Return of Accumulated Contributions. – Should a member cease to be a teacher or  
32 State employee except by death or retirement under the provisions of this Chapter, he shall  
33 upon submission of an application be paid, not earlier than 60 days from the date of termination  
34 of service, his contributions, and if he has attained at least five years of membership service or  
35 if termination of his membership service is involuntary as certified by the employer, the  
36 accumulated regular interest thereon, provided that he has not in the meantime returned to  
37 service. Upon payment of such sum his membership in the System shall cease and, if he  
38 thereafter again becomes a member, no credit shall be allowed for any service previously  
39 rendered except as provided in G.S. 135-4, and such payment shall be in full and complete  
40 discharge of any rights in or to any benefits otherwise payable hereunder. Upon receipt of proof  
41 satisfactory to the Board of Trustees of the death, prior to retirement, of a member or former  
42 member there shall be paid to such person or persons as he shall have nominated by electronic  
43 submission prior to completing 10 years of service in a form approved by the Board of Trustees  
44 or by written designation duly acknowledged and filed with the Board of Trustees, if such  
45 person or persons are living at the time of the member's death, otherwise to the member's legal  
46 representatives, the amount of his accumulated contributions at the time of his death, unless the  
47 beneficiary elects to receive the alternate benefit under the provisions of (m) below. An  
48 extension service employee who made contributions to the Local Governmental Employees'  
49 Retirement System and the Teachers' and State Employees' Retirement System as a result of  
50 dual employment may not be paid his accumulated contributions unless he is eligible to be paid  
51 his accumulated contributions in both systems for the same period of service.

1 Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the  
2 Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated  
3 contributions to the Consolidated Judicial Retirement System or to the Supplemental  
4 Retirement Income Plan and forfeit any rights in or to any benefits otherwise payable  
5 hereunder.

6 A member who is a participant or beneficiary of the Disability Income Plan of North  
7 Carolina as is provided in Article 6 of this Chapter shall not be paid a return of accumulated  
8 contributions, notwithstanding the member's status as an employee or teacher. Notwithstanding  
9 any other provision of law to the contrary, a member who is a beneficiary of the Disability  
10 Income Plan of North Carolina as provided in Article 6 of this Chapter and who is receiving  
11 disability benefits under the transition provisions as provided in G.S. 135-112, shall not be  
12 prohibited from receiving a return of accumulated contributions as provided in this subsection."

13 **SECTION 11.(f)** G.S. 135-5(g1), as amended by Section 5(b) of this act, reads as  
14 rewritten:

15 "(g1) In the event of the death of a retired member while in receipt of a retirement  
16 allowance under the provisions of this Article, there shall be paid to such person or persons as  
17 the retiree shall have nominated by electronic submission in a form approved by the Board of  
18 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
19 such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
20 legal representatives, a death benefit equal to the excess, if any, of the accumulated  
21 contributions of the retiree at the date of retirement over the total of the retirement allowances  
22 paid prior to the death of the retiree. For purposes of this paragraph, the term "accumulated  
23 contributions" includes amounts of employee voluntary contributions that were transferred  
24 from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at  
25 retirement by eligible law enforcement officers.

26 In the event that a retirement allowance becomes payable to the designated survivor of a  
27 retired member under the provisions above and such retirement allowance to the survivor shall  
28 terminate upon the death of the survivor before the total of the retirement allowances paid to  
29 the retiree and the designated survivor combined equals the amount of the accumulated  
30 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
31 contributions over the total of the retirement allowances paid to the retiree and the survivor  
32 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
33 nominated by electronic submission in a form approved by the Board of Trustees or by written  
34 designation duly acknowledged and filed with the Board of Trustees, if such person or persons  
35 are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
36 purposes of this paragraph, the term "accumulated contributions" includes amounts of  
37 employee voluntary contributions that were transferred from the Supplemental Retirement  
38 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
39 enforcement officers.

40 In the event that a retirement allowance becomes payable to the principal beneficiary  
41 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
42 section and that beneficiary dies before the total of the retirement allowances paid equals the  
43 amount of the accumulated contributions of the member at the date of the member's death, the  
44 excess of those accumulated contributions over the total of the retirement allowances paid to  
45 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
46 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
47 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
48 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
49 amounts of employee voluntary contributions that were transferred from the Supplemental  
50 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
51 law enforcement officers.

1 In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be  
2 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
3 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
4 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,  
5 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
6 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
7 total of the increase in the retirement allowance attributable to the additional creditable service,  
8 paid from the month following the month in which payment was received to the death of the  
9 retiree.

10 In the event that a retirement allowance becomes payable to the designated survivor of a  
11 retired member under the provisions above and such retirement allowance to the survivor shall  
12 terminate upon the death of the survivor before the total of the increase in the retirement  
13 allowance attributable to the additional creditable service paid to the retiree and the designated  
14 survivor combined equals the cost of the creditable service purchased less the administrative  
15 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
16 have nominated by electronic submission in a form approved by the Board of Trustees or by  
17 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
18 persons are living at the time such payment falls due, otherwise to the retiree's legal  
19 representative.

20 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
21 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
22 the member's estate."

23 **SECTION 11.(g)** G.S. 135-5(l), as amended by Section 6(a) of this act, reads as  
24 rewritten:

25 "(l) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan  
26 (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is  
27 separate and apart from the Retirement System and under which the members of the Retirement  
28 System shall participate and be eligible for group life insurance benefits. Upon receipt of proof,  
29 satisfactory to the Board of Trustees in their capacity as trustees under the Group Life  
30 Insurance Plan, of the death, in service, of a member who had completed at least one full  
31 calendar year of membership in the Retirement System, there shall be paid to such person as he  
32 shall have nominated by electronic submission prior to completing 10 years of service in a form  
33 approved by the Board of Trustees or by written designation duly acknowledged and filed with  
34 the Board of Trustees, if such person is living at the time of the member's death, otherwise to  
35 the member's legal representatives, a death benefit. Such death benefit shall be equal to the  
36 greater of:

- 37 (1) The compensation on which contributions were made by the member during  
38 the calendar year preceding the year in which his death occurs, or  
39 (2) The greatest compensation on which contributions were made by the  
40 member during a 12-month period of service within the 24-month period of  
41 service ending on the last day of the month preceding the month in which his  
42 last day of actual service occurs;

43 (3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2.  
44 subject to a minimum of twenty-five thousand dollars (\$25,000) and to a maximum of fifty  
45 thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the  
46 payment of the member's accumulated contributions under the System on his death pursuant to  
47 the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be  
48 deemed to be in service at the date of his death if his death occurs within 180 days from the last  
49 day of his actual service.

1 The death benefit provided in this subsection (l) shall not be payable, notwithstanding the  
2 member's compliance with all the conditions set forth in the preceding paragraph, if his death  
3 occurs

- 4 (1) After December 31, 1968 and after he has attained age 70; or
- 5 (2) After December 31, 1969 and after he has attained age 69; or
- 6 (3) After December 31, 1970 and after he has attained age 68; or
- 7 (4) After December 31, 1971 and after he has attained age 67; or
- 8 (5) After December 31, 1972 and after he has attained age 66; or
- 9 (6) After December 31, 1973 and after he has attained age 65; or
- 10 (7) After December 31, 1978, but before January 1, 1987, and after he has  
11 attained age 70.

12 Notwithstanding the above provisions, the death benefit shall be payable on account of the  
13 death of any member who died or dies on or after January 1, 1974, but before January 1, 1979,  
14 after attaining age 65, if he or she had not yet attained age 65, if he or she had not yet attained  
15 age 66, was at the time of death completing the work year for those individuals under specific  
16 contract, or during the fiscal year for those individuals not under specific contract, in which he  
17 or she attained 65, and otherwise met all conditions for payment of the death benefit.

18 Notwithstanding the above provisions, the Board of Trustees may and is specifically  
19 authorized to provide the death benefit according to the terms and conditions otherwise  
20 appearing in this Plan in the form of group life insurance, either (i) by purchasing a contract or  
21 contracts of group life insurance with any life insurance company or companies licensed and  
22 authorized to transact business in this State for the purpose of insuring the lives of members in  
23 service, or (ii) by establishing a separate trust fund qualified under Section 501(c)(9) of the  
24 Internal Revenue Code of 1954, as amended, for such purpose. To that end the Board of  
25 Trustees is authorized, empowered and directed to investigate the desirability of utilizing group  
26 life insurance by either of the foregoing methods for the purpose of providing the death benefit.  
27 If a separate trust fund is established, it shall be operated in accordance with rules and  
28 regulations adopted by the Board of Trustees and all investment earnings on the trust fund shall  
29 be credited to such fund.

30 In administration of the death benefit the following shall apply:

- 31 (1) For the purpose of determining eligibility only, in this subsection "calendar  
32 year" shall mean any period of 12 consecutive months or, if less, the period  
33 covered by an annual contract of employment. For all other purposes in this  
34 subsection "calendar year" shall mean the 12 months beginning January 1  
35 and ending December 31.
- 36 (2) Last day of actual service shall be:
  - 37 a. When employment has been terminated, the last day the member  
38 actually worked.
  - 39 b. When employment has not been terminated, the date on which an  
40 absent member's sick and annual leave expire, unless he is on  
41 approved leave of absence and is in service under the provisions of  
42 G.S. 135-4(h).
  - 43 c. When a participant's employment is interrupted by reason of service  
44 in the Uniformed Services, as that term is defined in section 4303(16)  
45 of the Uniformed Services Employment and Reemployment Rights  
46 Act, Public Law 103-353, and the participant does not return  
47 immediately after that service to employment with a covered  
48 employer in this System, the date on which the participant was first  
49 eligible to be separated or released from his or her involuntary  
50 military service.

- 1 (3) For a period when a member is on leave of absence, his status with respect to  
2 the death benefit will be determined by the provisions of G.S. 135-4(h).  
3 (4) A member on leave of absence from his position as a teacher or State  
4 employee for the purpose of serving as a member or officer of the General  
5 Assembly shall be deemed to be in service during sessions of the General  
6 Assembly and thereby covered by the provisions of the death benefit. The  
7 amount of the death benefit for such member shall be the equivalent of the  
8 salary to which the member would have been entitled as a teacher or State  
9 employee during the 12-month period immediately prior to the month in  
10 which death occurred, not to be less than twenty-five thousand dollars  
11 (\$25,000) nor to exceed fifty thousand dollars (\$50,000).

12 The provisions of the Retirement System pertaining to Administration, G.S. 135-6, and  
13 management of funds, G.S. 135-7, are hereby made applicable to the Plan.

14 A member who is a beneficiary of the Disability Income Plan provided for in Article 6 of  
15 this Chapter, or a member who is in receipt of Workers' Compensation during the period for  
16 which he or she would have otherwise been eligible to receive short-term benefits as provided  
17 in G.S. 135-105 and dies on or after 181 days from the last day of his or her actual service but  
18 prior to the date the benefits as provided in G.S. 135-105 would have ended, shall be eligible  
19 for group life insurance benefits as provided in this subsection, notwithstanding that the  
20 member is no longer an employee or teacher or that the member's death occurs after the  
21 eligibility period after active service. The basis of the death benefit payable hereunder shall be  
22 the higher of the death benefit computed as above or a death benefit based on compensation  
23 used in computing the benefit payable under G.S. 135-105 and G.S. 135-106, as may be  
24 adjusted for percentage post-disability increases, all subject to the maximum dollar limitation  
25 as provided above. A member in receipt of benefits from the Disability Income Plan under the  
26 provisions of G.S. 135-112 whose right to a benefit accrued under the former Disability Salary  
27 Continuation Plan shall not be covered under the provisions of this paragraph.

28 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
29 subsection, of the death of a retired member of the Retirement System on or after July 1, 1988,  
30 but before January 1, 1999, there shall be paid a death benefit to the surviving spouse of the  
31 deceased retired member or to the deceased retired member's legal representative if not  
32 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
33 has continuously made, in advance of his death required contributions as determined by the  
34 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
35 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
36 administered by the Board of Trustees separate and apart from the Retirement System's  
37 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum  
38 payment in the amount of five thousand dollars (\$5,000) upon the completion of twenty-four  
39 months of contributions required under this subsection. Should death occur before the  
40 completion of twenty-four months of contributions required under this subsection, the deceased  
41 retired member's surviving spouse or legal representative if not survived by a spouse shall be  
42 paid the sum of the retired member's contributions required by this subsection plus interest to  
43 be determined by the Board of Trustees.

44 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
45 subsection, of the death of a retired member of the Retirement System on or after January 1,  
46 1999, but before July 1, 2004, there shall be paid a death benefit to the surviving spouse of the  
47 deceased retired member or to the deceased retired member's legal representative if not  
48 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
49 has continuously made, in advance of his death required contributions as determined by the  
50 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
51 other methods adopted by the Board of Trustees, to a group death benefit trust fund

1 administered by the Board of Trustees separate and apart from the Retirement System's  
2 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum  
3 payment in the amount of six thousand dollars (\$6,000) upon the completion of 24 months of  
4 contributions required under this subsection. Should death occur before the completion of 24  
5 months of contributions required under this subsection, the deceased retired member's surviving  
6 spouse or legal representative if not survived by a spouse shall be paid the sum of the retired  
7 member's contributions required by this subsection plus interest to be determined by the Board  
8 of Trustees.

9 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
10 subsection, of the death of a retired member of the Retirement System on or after July 1, 2004,  
11 but before July 1, 2007, there shall be paid a death benefit to the surviving spouse of the  
12 deceased retired member or to the deceased retired member's legal representative if not  
13 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
14 has continuously made, in advance of his death required contributions as determined by the  
15 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
16 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
17 administered by the Board of Trustees Fund and Pension Accumulation Fund. This death  
18 benefit shall be a lump-sum payment in the amount of nine thousand dollars (\$9,000) upon the  
19 completion of 24 months of contributions required under this subsection. Should death occur  
20 before the completion of 24 months of contributions required under this subsection, the  
21 deceased retired member's surviving spouse or legal representative if not survived by a spouse  
22 shall be paid the sum of the retired member's contributions required by this subsection plus  
23 interest to be determined by the Board of Trustees.

24 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
25 subsection, of the death of a retired member of the Retirement System on or after July 1, 2007,  
26 there shall be paid a death benefit to the surviving spouse of the deceased retired member or to  
27 the deceased retired member's legal representative if not survived by a spouse; provided the  
28 retired member has elected, when first eligible, to make, and has continuously made, in  
29 advance of his death required contributions as determined by the Board of Trustees on a fully  
30 contributory basis, through retirement allowance deductions or other methods adopted by the  
31 Board of Trustees, to a group death benefit trust fund administered by the Board of Trustees  
32 Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the  
33 amount of ten thousand dollars (\$10,000) upon the completion of 24 months of contributions  
34 required under this subsection. Should death occur before the completion of 24 months of  
35 contributions required under this subsection, the deceased retired member's surviving spouse or  
36 legal representative if not survived by a spouse shall be paid the sum of the retired member's  
37 contributions required by this subsection plus interest to be determined by the Board of  
38 Trustees."

39 **SECTION 11.(h) G.S. 128-27(f) reads as rewritten:**

40 "(f) Return of Accumulated Contributions. – Should a member cease to be an employee  
41 except by death or retirement under the provisions of this Chapter, he shall upon submission of  
42 an application be paid, not earlier than 60 days from the date of termination of service, his  
43 contributions and, if he has attained at least five years of membership service or if termination  
44 of his membership service is involuntary as certified by the employer, the accumulated regular  
45 interest thereon, provided that he has not in the meantime returned to service. Upon payment of  
46 such sum his membership in the System shall cease and, if he thereafter again becomes a  
47 member, no credit shall be allowed for any service previously rendered except as provided in  
48 G.S. 128-26; and such payment shall be in full and complete discharge of any rights in or to  
49 any benefits otherwise payable hereunder. Upon receipt of proof satisfactory to the Board of  
50 Trustees of the death, prior to retirement, of a member or former member there shall be paid to  
51 such person or persons as he shall have nominated by electronic submission prior to completing

1 10 years of service in a form approved by the Board of Trustees or by written designation duly  
2 acknowledged and filed with the Board of Trustees, if such person or persons are living at the  
3 time of the member's death, otherwise to the member's legal representatives, the amount of his  
4 accumulated contributions at the time of his death, unless the beneficiary elects to receive the  
5 alternate benefit under the provisions of (m) below. An extension service employee who made  
6 contributions to the Local Governmental Employees' Retirement System and the Teachers' and  
7 State Employees' Retirement System as a result of dual employment may not be paid his  
8 accumulated contributions unless he is eligible to be paid his accumulated contributions in both  
9 systems for the same period of service.

10 Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the  
11 Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated  
12 contributions to the Consolidated Judicial Retirement System or to the Supplemental  
13 Retirement Income Plan and forfeit any rights in or to any benefits otherwise payable  
14 hereunder."

15 **SECTION 11.(i)** G.S. 128-27(g1), as amended by Section 5(e) of this act, reads as  
16 rewritten:

17 "(g1) In the event of the death of a retired member while in receipt of a retirement  
18 allowance under the provisions of this Article, there shall be paid to such person or persons as  
19 the retiree shall have nominated by electronic submission in a form approved by the Board of  
20 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
21 such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
22 legal representatives, a death benefit equal to the excess, if any, of the accumulated  
23 contributions of the retiree at the date of retirement over the total of the retirement allowances  
24 paid prior to the death of the retiree. For purposes of this paragraph, the term "accumulated  
25 contributions" includes amounts of employee voluntary contributions that were transferred  
26 from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at  
27 retirement by eligible law enforcement officers.

28 In the event that a retirement allowance becomes payable to the designated survivor of a  
29 retired member under the provisions above and such retirement allowance to the survivor shall  
30 terminate upon the death of the survivor before the total of the retirement allowances paid to  
31 the retiree and the designated survivor combined equals the amount of the accumulated  
32 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
33 contributions over the total of the retirement allowances paid to the retiree and the survivor  
34 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
35 nominated by electronic submission in a form approved by the Board of Trustees or by written  
36 designation duly acknowledged and filed with the Board of Trustees, if such person or persons  
37 are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
38 purposes of this paragraph, the term "accumulated contributions" includes amounts of  
39 employee voluntary contributions that were transferred from the Supplemental Retirement  
40 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
41 enforcement officers.

42 In the event that a retirement allowance becomes payable to the principal beneficiary  
43 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
44 section and that beneficiary dies before the total of the retirement allowances paid equals the  
45 amount of the accumulated contributions of the member at the date of the member's death, the  
46 excess of those accumulated contributions over the total of the retirement allowances paid to  
47 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
48 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
49 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
50 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
51 amounts of employee voluntary contributions that were transferred from the Supplemental



1 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
2 law enforcement officers.

3 In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be  
4 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
5 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
6 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,  
7 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
8 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
9 total of the increase in the retirement allowance attributable to the additional creditable service,  
10 paid from the month following the month in which payment was received to the death of the  
11 retiree.

12 In the event that a retirement allowance becomes payable to the designated survivor of a  
13 retired member under the provisions above, and such retirement allowance to the survivor shall  
14 terminate upon the death of the survivor before the total of the increase in the retirement  
15 allowance attributable to the additional creditable service paid to the retiree and the designated  
16 survivor combined equals the cost of the creditable service purchased less the administrative  
17 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
18 have nominated by electronic submission in a form approved by the Board of Trustees or by  
19 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
20 persons are living at the time such payment falls due, otherwise to the retiree's legal  
21 representative.

22 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
23 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
24 the member's estate."

25 **SECTION 11.(j)** G.S. 128-27(l), as amended by Section 6(b) of this act, reads as  
26 rewritten:

27 "(l) Death Benefit Plan. – The provisions of this subsection shall become effective for  
28 any employer only after an agreement to that effect has been executed by the employer and the  
29 Director of the Retirement System. There is hereby created a Group Life Insurance Plan  
30 (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is  
31 separate and apart from the Retirement System and under which the members of the Retirement  
32 System shall participate and be eligible for group life insurance benefits. Upon receipt of proof,  
33 satisfactory to the Board of Trustees in their capacity as trustees under the Group Life  
34 Insurance Plan, of the death, in service, of a member who had completed at least one full  
35 calendar year of membership in the Retirement System, there shall be paid to such person as he  
36 shall have nominated by electronic submission prior to completing 10 years of service in a form  
37 approved by the Board of Trustees or by written designation duly acknowledged and filed with  
38 the Board of Trustees, if such person is living at the time of the member's death, otherwise to  
39 the member's legal representatives, a death benefit. Such death benefit shall be equal to the  
40 greater of:

- 41 (1) The compensation on which contributions were made by the member during  
42 the calendar year preceding the year in which his death occurs, or
- 43 (2) The greatest compensation on which contributions were made by the  
44 member during a 12-month period of service within the 24-month period of  
45 service ending on the last day of the month preceding the month in which his  
46 last day of actual service occurs;
- 47 (3) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2;  
48 subject to a minimum of twenty-five thousand dollars (\$25,000) and a maximum of fifty  
49 thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the  
50 payment of the member's accumulated contributions under the System on his death pursuant to  
51 the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be



1 deemed to be in service at the date of his death if his death occurs within 180 days from the last  
2 day of his actual service.

3 The death benefit provided in this subsection shall not be payable, notwithstanding the  
4 member's compliance with all the conditions set forth in the preceding paragraph, if his death  
5 occurs

- 6 (1) After June 30, 1969 and after he has attained age 70; or
- 7 (2) After December 31, 1969 and after he has attained age 69; or
- 8 (3) After December 31, 1970 and after he has attained age 68; or
- 9 (4) After December 31, 1971 and after he has attained age 67; or
- 10 (5) After December 31, 1972 and after he has attained age 66; or
- 11 (6) After December 31, 1973 and after he has attained age 65; or
- 12 (7) After December 31, 1978, but before January 1, 1987, and after he has  
13 attained age 70.

14 Notwithstanding the above provisions, the death benefit shall be payable on account of the  
15 death of any member who died or dies on or after January 1, 1974, but before January 1, 1979,  
16 after attaining age 65, if he or she had not yet attained age 65, if he or she had not yet attained  
17 age 66, was at the time of death completing the work year for those individuals under specific  
18 contract, or during the fiscal year for those individuals not under specific contract, in which he  
19 or she attained age 65, and otherwise met all conditions for payment of the death benefit.

20 Notwithstanding the above provisions, the Board of Trustees may and is specifically  
21 authorized to provide the death benefit according to the terms and conditions otherwise  
22 appearing in this Plan in the form of group life insurance, either (i) by purchasing a contract or  
23 contracts of group life insurance with any life insurance company or companies licensed and  
24 authorized to transact business in this State for the purpose of insuring the lives of members in  
25 service, or (ii) by establishing a separate trust fund qualified under section 501(c)(9) of the  
26 Internal Revenue Code of 1954, as amended, for such purpose. To that end the Board of  
27 Trustees is authorized, empowered and directed to investigate the desirability of utilizing group  
28 life insurance by either of the foregoing methods for the purpose of providing the death benefit.  
29 If a separate trust fund is established, it shall be operated in accordance with rules and  
30 regulations adopted by the Board of Trustees and all investment earnings on the trust fund shall  
31 be credited to such fund.

32 In administration of the death benefit the following shall apply:

- 33 (1) For the purpose of determining eligibility only, in this subsection "calendar  
34 year" shall mean any period of 12 consecutive months. For all other  
35 purposes in this subsection "calendar year" shall mean the 12 months  
36 beginning January 1 and ending December 31.
- 37 (2) Last day of actual service shall be:
  - 38 a. When employment has been terminated, the last day the member  
39 actually worked.
  - 40 b. When employment has not been terminated, the date on which an  
41 absent member's sick and annual leave expire.
  - 42 c. When a participant's employment is interrupted by reason of service  
43 in the Uniformed Services, as that term is defined in section 4303(16)  
44 of the Uniformed Services Employment and Reemployment Rights  
45 Act, Public Law 103-353, and the participant does not return  
46 immediately after that service to employment with a covered  
47 employer in this System, the date on which the participant was first  
48 eligible to be separated or released from his or her involuntary  
49 military service.
- 50 (3) For a period when a member is on leave of absence, his status with respect to  
51 the death benefit will be determined by the provisions of G.S. 128-26(g).

(4) A member on leave of absence from his position as a local governmental employee for the purpose of serving as a member or officer of the General Assembly shall be deemed to be in service during sessions of the General Assembly and thereby covered by the provisions of the death benefit, if applicable. The amount of the death benefit for such member shall be the equivalent of the salary to which the member would have been entitled as a local governmental employee during the 12-month period immediately prior to the month in which death occurred, not to be less than twenty-five thousand dollars (\$25,000) nor to exceed fifty thousand dollars (\$50,000).

The provisions of the Retirement System pertaining to administration, G.S. 128-28, and management of funds, G.S. 128-29, are hereby made applicable to the Plan."

**SECTION 11.(k)** G.S. 120-4.25 reads as rewritten:

**"§ 120-4.25. Return of accumulated contributions.**

If a member ceases to be a member of the General Assembly except by death or retirement, he shall, upon submission of an application, be paid not earlier than 60 days following the date of termination of service, the sum of his contributions if he has less than five years of creditable service, or the sum of his accumulated contributions if he has five or more years of creditable service, provided he has not in the meantime returned to service. Upon payment of this sum his membership in the System ceases. If he becomes a member afterwards, no credit shall be allowed for any service previously rendered except as provided in G.S. 120-4.14 and the payment shall be in full and complete discharge of any rights in or to any benefits otherwise payable under this Article. Upon receipt of proof satisfactory to the Board of Trustees of the death, prior to retirement, of a member or former member, there shall be paid to the person or persons he nominated by electronic submission prior to completing 10 years of service in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if the person or persons are living at the time of the member's death, otherwise to the member's legal representatives, the amount of his accumulated contributions at the time of his death, unless the beneficiary elects to receive the alternate benefit under the provisions of G.S. 120-4.28."

**SECTION 11.(l)** G.S. 120-4.26A reads as rewritten:

**"§ 120-4.26A. Benefits on death after retirement.**

In the event of the death of a retired member while in receipt of a retirement allowance under the provisions of this Article, there shall be paid to such person or persons as the retiree shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions of the retiree at the date of retirement over the total of the retirement allowances paid prior to the death of the retiree.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions of G.S. 120-4.26 and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the retirement allowances paid to the retiree and the designated survivor combined equals the amount of the accumulated contributions of the retiree at the date of retirement, the excess, if any, of such accumulated contributions over the total of the retirement allowances paid to the retiree and the survivor combined shall be paid in a lump sum to such person or persons as the retiree shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time such payment falls due, otherwise to the retiree's legal representative."

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

1           "(3) Should any member in any period of six consecutive years after becoming a  
2           member be absent from service more than five years, or should he withdraw  
3           his accumulated contributions, or should he become a beneficiary or die, he  
4           shall thereupon cease to be a member: Provided that on and after July 1,  
5           1967, should any member in any period of eight consecutive years after  
6           becoming a member be absent from service more than seven years, or should  
7           he withdraw his accumulated contributions, or should he become a  
8           beneficiary or die, he shall thereupon cease to be a member; provided further  
9           that the period of absence from service shall be computed from January 1,  
10          1962, or later date of separation for any member whose contributions were  
11          not withdrawn prior to July 1, 1967: Provided that on and after July 1, 1971,  
12          a member shall cease to be a member only if he withdraws his accumulated  
13          contributions, or becomes a beneficiary, or dies.

14           Notwithstanding the foregoing, any persons whose membership was  
15           terminated under the provisions set forth above who had five or more years  
16           of creditable service and had not effected a return of contributions may elect  
17           to receive a retirement allowance on or after age 60; provided that this  
18           member may retire only upon electronic submission or written application to  
19           the Board of Trustees setting forth at which time, not less than 30 days nor  
20           more than 90 days subsequent to the execution and filing, he desires to be  
21           retired."

22           **SECTION 12.(b)** G.S. 135-3(8), as amended by Section 8(a) of this act, reads as  
23           rewritten:

- 24           (8) The provisions of this subsection (8) shall apply to any member whose  
25           membership is terminated on or after July 1, 1963 and who becomes entitled  
26           to benefits hereunder in accordance with the provisions hereof.
- 27           a. Notwithstanding any other provision of this Chapter, any member  
28           who separates from service prior to the attainment of the age of 60  
29           years for any reason other than death or retirement for disability as  
30           provided in G.S. 135-5(c), after completing 15 or more years of  
31           creditable service, and who leaves his total accumulated  
32           contributions in said System shall have the right to retire on a  
33           deferred retirement allowance upon attaining the age of 60 years;  
34           provided that such member may retire only upon electronic  
35           submission or written application to the Board of Trustees setting  
36           forth at what time, not less than one day nor more than 90 days  
37           subsequent to the execution and filing thereof, he desires to be  
38           retired; and further provided that in the case of a member who so  
39           separates from service on or after July 1, 1967, or whose account is  
40           active on July 1, 1967, or has not withdrawn his contributions, the  
41           aforestated requirement of 15 or more years of creditable service  
42           shall be reduced to 12 or more years of creditable service; and further  
43           provided that in the case of a member who so separates from service  
44           on or after July 1, 1971, or whose account is active on July 1, 1971,  
45           the aforestated requirement of 12 or more years of creditable service  
46           shall be reduced to five or more years of creditable service. Such  
47           deferred retirement allowance shall be computed in accordance with  
48           the service retirement provisions of this Article pertaining to a  
49           member who is not a law enforcement officer or an eligible former  
50           law enforcement officer. Notwithstanding the foregoing, any member  
51           whose services as a teacher or employee are terminated for any

reason other than retirement, who becomes employed by a nonprofit, nonsectarian private school in North Carolina below the college level within one year after such teacher or employee has ceased to be a teacher or employee, may elect to leave his total accumulated contributions in the Teachers' and State Employees' Retirement System during the period he is in the employment of such employer; provided that he files notice thereof in writing with the Board of Trustees of the Retirement System within five years after separation from service as a public school teacher or State employee; such member shall be deemed to have met the requirements of the above provisions of this subdivision upon attainment of age 60 while in such employment provided that he is otherwise vested.

- b. In lieu of the benefits provided in paragraph a of this subdivision (8), any member who separates from service prior to the attainment of the age of 60 years, for any reason other than death or retirement for disability as provided in G.S. 135-5(c), after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System, may elect to retire on an early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided that such member may so retire only upon electronic submission or written application to the Board of Trustees setting forth at what time, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired. Such early retirement allowance so elected shall be equal to the deferred retirement allowance otherwise payable at the attainment of the age of 60 years reduced by the percentage thereof indicated below.

Age at Retirement	Percentage Reduction
59	7
58	14
57	20
56	25
55	30
54	35
53	39
52	43
51	46
50	50

- b1. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law-enforcement officer at the time of separation from service prior to the attainment of the age of 50 years, for any reason other than death or disability as provided in this Article, after completing 15 or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System may elect to retire on a deferred early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided, that the member may commence retirement only upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day

1 nor more than 90 days subsequent to the execution and filing thereof,  
2 he desires to commence retirement. The deferred early retirement  
3 allowance shall be computed in accordance with the service  
4 retirement provisions of this Article pertaining to law-enforcement  
5 officers.

6 b2. In lieu of the benefits provided in paragraphs a and b of this  
7 subdivision, any member who is a law-enforcement officer at the  
8 time of separation from service prior to the attainment of the age of  
9 55 years, for any reason other than death or disability as provided in  
10 this Article, after completing five or more years of creditable service  
11 in this capacity immediately prior to separation from service, and  
12 who leaves his total accumulated contributions in this System may  
13 elect to retire on a deferred early retirement allowance upon attaining  
14 the age of 55 years or at any time thereafter; provided, that the  
15 member may commence retirement only upon electronic submission  
16 or written application to the Board of Trustees setting forth at what  
17 time, as of the first day of a calendar month not less than one day nor  
18 more than 90 days subsequent to the execution and filing thereof, he  
19 desires to commence retirement. The deferred early retirement  
20 allowance shall be computed in accordance with the service  
21 retirement provisions of this Article pertaining to law-enforcement  
22 officers.

23 b3. Vested deferred retirement allowance of members retiring on or after  
24 July 1, 1994. – In lieu of the benefits provided in paragraphs a. and b.  
25 of this subdivision, any member who separates from service prior to  
26 attainment of age 60 years, after completing 20 or more years of  
27 creditable service, and who leaves his total accumulated  
28 contributions in said System, may elect to retire on a deferred  
29 retirement allowance upon attaining the age of 50 years or any time  
30 thereafter; provided that such member may so retire only upon  
31 electronic submission or written application to the Board of Trustees  
32 setting forth at what time, not less than one day nor more than 90  
33 days subsequent to the execution and filing thereof, he desires to be  
34 retired. Such deferred retirement allowance shall be computed in  
35 accordance with the service retirement provisions of this Article  
36 pertaining to a member who is not a law enforcement officer or an  
37 eligible former law enforcement officer.

38 c. Should a beneficiary who retired on an early or service retirement  
39 allowance under this Chapter be reemployed by, or otherwise  
40 engaged to perform services for, an employer participating in the  
41 Retirement System on a part time, temporary, interim, or on a fee for  
42 service basis, whether contractual or otherwise, and if such  
43 beneficiary earns an amount during the 12 month period immediately  
44 following the effective date of retirement or in any calendar year  
45 which exceeds fifty percent (50%) of the reported compensation,  
46 excluding terminal payments, during the 12 months of service  
47 preceding the effective date of retirement, or twenty thousand dollars  
48 (\$20,000), whichever is greater, as hereinafter indexed, then the  
49 retirement allowance shall be suspended as of the first day of the  
50 month following the month in which the reemployment earnings  
51 exceed the amount above, for the balance of the calendar year, except

1 when the reemployment earnings exceed the amount above in the  
2 month of December, in which case the retirement allowance shall not  
3 be suspended. The retirement allowance of the beneficiary shall be  
4 reinstated as of January 1 of each year following suspension. The  
5 amount that may be earned before suspension shall be increased on  
6 January 1 of each year by the ratio of the Consumer Price Index to  
7 the Index one year earlier, calculated to the nearest tenth of a percent  
8 (1/10 of 1%).

9 The computation of postretirement earnings of a beneficiary  
10 under this sub-subdivision, who retired on or before October 1, 2007,  
11 and who has been retired at least six months and has not been  
12 employed in any capacity with a public school for at least six months  
13 immediately preceding the effective date of reemployment, shall not  
14 include earnings while the beneficiary is employed to teach in a  
15 permanent full-time or part-time capacity that exceeds fifty percent  
16 (50%) of the applicable workweek in a public school. The  
17 Department of Public Instruction shall certify to the Retirement  
18 System that a beneficiary is employed to teach by a local school  
19 administrative unit under the provisions of this sub-subdivision and  
20 as a retired teacher as the term is defined under the provisions of  
21 G.S. 115C-325(a)(5a).

22 The computation of postretirement earnings of a beneficiary  
23 under this sub-subdivision, who retired after October 1, 2007, after  
24 attaining (i) the age of at least 65 with five years of creditable  
25 service; or (ii) the age of at least 60 with 25 years of creditable  
26 service; or (iii) 30 years of service; and who has been retired at least  
27 six months and has not been employed in any capacity with a public  
28 school for at least six months immediately preceding the effective  
29 date of reemployment, shall not include earnings while the  
30 beneficiary is employed to teach in a permanent full-time or  
31 part-time capacity that exceeds fifty percent (50%) of the applicable  
32 workweek in a public school. The Department of Public Instruction  
33 shall certify to the Retirement System that a beneficiary is employed  
34 to teach by a local school administrative unit under the provisions of  
35 this sub-subdivision and as a retired teacher as the term is defined  
36 under the provisions of G.S. 115C-325(a)(5a).

37 Beneficiaries employed under this sub-subdivision are not  
38 entitled to any benefits otherwise provided under this Chapter as a  
39 result of this period of employment.

40 c1. Employers shall report each reemployment covered by the provisions  
41 of sub-subdivision c. of this subdivision within 90 days of the  
42 reemployment, including the nature of the reemployment, the date of  
43 the reemployment, and the compensation. If such a report is not  
44 received within the required 90 days, the Board shall assess the  
45 employer with a penalty of one percent (1%) per month with a  
46 minimum penalty of twenty-five dollars (\$25.00).

47 d. Should a beneficiary who retired on an early or service retirement  
48 allowance under this Chapter be restored to service as an employee  
49 or teacher, then the retirement allowance shall cease as of the first of  
50 the month following the month in which the beneficiary is restored to  
51 service and the beneficiary shall become a member of the Retirement

System and shall contribute thereafter as allowed by law at the uniform contribution payable by all members.

Upon his subsequent retirement, he shall be paid a retirement allowance determined as follows:

1. For a member who earns at least three years' membership service after restoration to service, the retirement allowance shall be computed on the basis of his compensation and service before and after the period of prior retirement without restrictions; provided, that if the prior allowance was based on a social security leveling payment option, the allowance shall be adjusted actuarially for the difference between the amount received under the optional payment and what would have been paid if the retirement allowance had been paid without optional modification.
  2. For a member who does not earn three years' membership service after restoration to service, the retirement allowance shall be equal to the sum of the retirement allowance to which he would have been entitled had he not been restored to service, without modification of the election of an optional allowance previously made, and the retirement allowance that results from service earned since being restored to service; provided, that if the prior retirement allowance was based on a social security leveling payment option, the prior allowance shall be adjusted actuarially for the difference between the amount that would have been paid for each month had the payment not been suspended and what would have been paid if the retirement allowance had been paid without optional modification.
- e. Any beneficiary who retired on an early or service retirement allowance as an employee of any State department, agency or institution under the Law Enforcement Officers' Retirement System and becomes employed as an employee by a State department, agency, or institution as an employer participating in the Retirement System shall become subject to the provisions of G.S. 135-3(8)c and G.S. 135-3(8)d on and after January 1, 1989."

**SECTION 12.(c)** G.S. 135-5(a), as amended by Sections 3(a) and 3(b) of this act, reads as rewritten:

"(a) Service Retirement Benefits. –

- (1) Any member may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution of and filing thereof, he desires to be retired: Provided, that the said member at the time so specified for his retirement shall have attained the age of 60 years and have at least five years of membership service or shall have completed 30 years of creditable service.
- (2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.
- (3) Any member who was in service October 8, 1981, who had attained 60 years of age, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired.

(4) Any member who is a law-enforcement officer, and who attains age 50 and completes 15 or more years of creditable service in this capacity or who attains age 55 and completes five or more years of creditable service in this capacity, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired; Provided, also, any member who has met the conditions herein required but does not retire, and later becomes a teacher or an employee other than as a law-enforcement officer shall continue to have the right to commence retirement.

(5) Any member who is eligible for and is being paid a benefit under the Disability Income Plan as provided in G.S. 135-105 or G.S. 135-106 shall be deemed a member in service and may not retire under the provisions of this section. Any member who has made electronic submission or written application for long-term or extended short-term benefits under the Disability Income Plan as provided in G.S. 135-105 or G.S. 135-106, and who has been rejected by the Plan's Medical Board for a long-term or extended short-term benefit shall have 90 days from the date of notification of the rejection to convert his application to an early or service retirement application, provided that the member meets the eligibility requirements, effective the first day of the month following the month in which short-term disability benefits ended or the first day of the month following the month in which any salary continuation as may be provided in G.S. 135-104 ended, whichever is later."

**SECTION 12.(d)** G.S. 135-5(a1), as amended by Section 3(c) of this act, reads as rewritten:

"(a1) Early Service Retirement Benefits. – Any member may retire and receive a reduced retirement allowance upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution of and filing thereof, he desires to be retired: Provided, that the said member at the time so specified for his retirement shall have attained the age of 50 years and have at least 20 years of creditable service."

**SECTION 12.(e)** G.S. 128-24(4), as amended by Section 3(g) of this act, reads as rewritten:

"(4) The provisions of this subdivision (4) shall apply to any member whose retirement became effective prior to July 1, 1965, and became entitled to benefits hereunder in accordance with the provisions hereof. Such benefits shall be computed in accordance with the provisions of G.S. 128-27(b1) as in effect at the date of such separation from service.

a. Notwithstanding any other provision of this Chapter, any member who separates from service prior to the time he shall have attained the age of 60 years, or if a uniformed policeman or fireman prior to the time he shall have attained the age of 55 years, for any reason other than death or retirement for disability as provided in G.S. 128-27(c), after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in the Retirement System, shall have the right to retire on a deferred retirement allowance upon the date he shall have attained the age of 60 years, or if a uniformed policeman or fireman upon the date he shall have attained the age of 55 years; provided that such member may retire only upon electronic submission or written application to



the Board of Trustees setting forth at what time, not less than 30 days nor more than 120 days next following the date of filing such application, he desires to be retired. Such deferred retirement allowance shall be computed in accordance with the provisions of G.S. 128-27(b), paragraphs (1), (2) and (3).

b. In lieu of the benefits provided in paragraph a of this subdivision (4), any member who separates from service prior to the time he shall have attained the age of 60 years, or if a uniformed policeman or fireman prior to the time he shall have attained the age of 55 years, for any reason other than death or retirement for disability as provided in G.S. 128-27(c), after completing 30 or more years of creditable service, and who leaves his total accumulated contributions in the Retirement System, may elect to retire on an early retirement allowance; provided that such a member may so retire only upon electronic submission or written application to the Board of Trustees setting forth at what time, not less than 30 days nor more than 120 days next following the date of filing such application, he desires to be retired; provided further that such application shall be duly filed within 60 days following the date of such separation. Such early retirement allowance so elected shall be the actuarial equivalent of the deferred retirement allowance otherwise payable at the attainment of age 60 years, or if a uniformed policeman or fireman at the attainment of age 55 years, upon proper application therefor.

c. Should an employee who retired on an early or service retirement allowance be restored to service prior to the time he shall have attained the age of 62 years, or if a uniformed policeman or fireman prior to the time he shall have attained the age of 55 years, his allowance shall cease, he shall again become a member of the Retirement System, and he shall contribute thereafter at the uniform contribution rate for his class member. Upon his subsequent retirement, he shall be entitled to an allowance not less than the allowance described in 1 below reduced by the amount in 2 below.

1. The allowance to which he would have been entitled if he were retiring for the first time, calculated on the basis of his total creditable service represented by the sum of his creditable service at the time of his first retirement, and his creditable service after he was restored to service.

2. The actuarial equivalent of the retirement benefits he previously received.

d. Should an employee who retired on an early or service retirement allowance be restored to service after the attainment of the age of 62 years, his retirement allowance shall be reduced to the extent necessary (if any) so that the sum of the retirement allowance at the time of retirement and earnings from employment by a unit of the Retirement System for any year (beginning January 1 and ending December 31) will not exceed the member's compensation received for the 12 months of service prior to retirement. Provided, however, that under no circumstances will the member's retirement allowance be reduced below the amount of his annuity as defined in G.S. 128-21(3)."

1           **SECTION 12.(f)** G.S. 128-24(5), as amended by Sections 3(h) and 8(b) of this act,  
 2 reads as rewritten:

3           "(5) The provisions of this subdivision (5) shall apply to any member whose  
 4 membership is terminated on or after July 1, 1965, and who becomes entitled  
 5 to benefits hereunder in accordance with the provisions hereof.

6           a. Notwithstanding any other provision of this Chapter, any member  
 7 who separates from service prior to the attainment of the age of 60  
 8 years for any reason other than death or retirement for disability as  
 9 provided in G.S. 128-27(c), after completing 15 or more years of  
 10 creditable service, and who leaves his total accumulated  
 11 contributions in said System shall have the right to retire on a  
 12 deferred retirement allowance upon attaining the age of 60 years;  
 13 provided that such member may retire only upon electronic  
 14 submission or written application to the Board of Trustees setting  
 15 forth at what time, not less than one day nor more than 120 days  
 16 subsequent to the execution and filing thereof, he desires to be  
 17 retired; and further provided that in the case of a member who so  
 18 separates from service on or after July 1, 1967, the aforesated  
 19 requirement of 15 or more years of creditable service shall be  
 20 reduced to 12 or more years of creditable service; and further  
 21 provided that in the case of a member who so separates from service  
 22 on or after July 1, 1971, or whose account is active on July 1, 1971,  
 23 the aforesated requirement of 12 or more years of creditable service  
 24 shall be reduced to five or more years of creditable service. Such  
 25 deferred retirement allowance shall be computed in accordance with  
 26 the service retirement provisions of this Article pertaining to a  
 27 member who is not a law enforcement officer or eligible former law  
 28 enforcement officer.

29           b. In lieu of the benefits provided in paragraph a of this subdivision,  
 30 any member who separates from service prior to the attainment of the  
 31 age of 60 years, for any reason other than death or retirement for  
 32 disability as provided in G.S. 128-27(c), after completing 20 or more  
 33 years of creditable service, and who leaves his total accumulated  
 34 contributions in said System may elect to retire on an early  
 35 retirement allowance upon attaining the age of 50 years or at any  
 36 time thereafter; provided that such member may so retire only upon  
 37 electronic submission or written application to the Board of Trustees  
 38 setting forth at what time, not less than one day nor more than 120  
 39 days subsequent to the execution and filing thereof, he desires to be  
 40 retired. Such early retirement allowance so elected shall be equal to  
 41 the deferred retirement allowance otherwise payable at the attainment  
 42 of the age of 60 years reduced by the percentage thereof indicated  
 43 below.

Age at Retirement	Percentage Reduction
59	7
58	14
57	20
56	25
55	30
54	35

1	53	39
2	52	43
3	51	46
4	50	50

b1. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer at the time of separation from service prior to the attainment of the age of 50 years, for any reason other than death or disability as provided in this Article, after completing 15 or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System, may elect to retire on a deferred early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided, that the member may commence retirement only upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred early retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law enforcement officers.

b2. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer at the time of separation from service prior to the attainment of the age of 55 years, for any reason other than death or disability as provided in this Article, after completing five or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System may elect to retire on a deferred service retirement allowance upon attaining the age of 55 years or at any time thereafter; provided, that the member may commence retirement only upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred service retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law enforcement officers.

b3. Deferred retirement allowance of members retiring on or after July 1, 1995. – In lieu of the benefits provided in paragraphs a. and b. of this subdivision, any member who separates from service prior to attainment of age 60 years, after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System, may elect to retire on a deferred retirement allowance upon attaining the age of 50 years or any time thereafter; provided that such member may so retire only upon electronic submission or written application to the Board of Trustees setting forth at what time, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired. Such deferred retirement allowance shall be computed in accordance with the service retirement provisions of this Article

1           pertaining to a member who is not a law enforcement officer or an  
2           eligible former law enforcement officer.

- 3           c.     Should a beneficiary who retired on an early or service retirement  
4           allowance be reemployed by, or otherwise engaged to perform  
5           services for, an employer participating in the Retirement System on a  
6           part-time, temporary, interim, or on fee-for-service basis, whether  
7           contractual or otherwise, and if such beneficiary earns an amount  
8           during the 12-month period immediately following the effective date  
9           of retirement or in any calendar year which exceeds fifty percent  
10          (50%) of the reported compensation, excluding terminal payments,  
11          during the 12 months of service preceding the effective date of  
12          retirement, or twenty thousand dollars (\$20,000), whichever is  
13          greater, as hereinafter indexed, then the retirement allowance shall be  
14          suspended as of the first day of the month following the month in  
15          which the reemployment earnings exceed the amount above, for the  
16          balance of the calendar year, except when the reemployment earnings  
17          exceed the amount above in the month of December, in which case  
18          the retirement allowance shall not be suspended. The retirement  
19          allowance of the beneficiary shall be reinstated as of January 1 of  
20          each year following suspension. The amount that may be earned  
21          before suspension shall be increased on January 1 of each year by the  
22          ratio of the Consumer Price Index to the Index one year earlier,  
23          calculated to the nearest tenth of a percent (1/10 of 1%).

- 24          c1.   Employers shall report each reemployment covered by the provisions  
25          of sub-subdivision c. of this subdivision within 90 days of the  
26          reemployment, including the nature of the reemployment, the date of  
27          the reemployment, and the compensation. If such a report is not  
28          received within the required 90 days, the Board shall assess the  
29          employer with a penalty of one percent (1%) per month with a  
30          minimum penalty of twenty-five dollars (\$25.00).

- 31          d.     Should a beneficiary who retired on an early or service retirement  
32          allowance be restored to service as an employee, then the retirement  
33          allowance shall cease as of the first day of the month following the  
34          month in which the beneficiary is restored to service and the  
35          beneficiary shall become a member of the Retirement System and  
36          shall contribute thereafter as allowed by law at the uniform  
37          contribution payable by all members.

38                Upon his subsequent retirement, he shall be paid a retirement  
39                allowance determined as follows:

- 40          1.     For a member who earns at least three years' membership  
41          service after restoration to service, the retirement allowance  
42          shall be computed on the basis of his compensation and  
43          service before and after the period of prior retirement without  
44          restriction; provided, that if the prior allowance was based on  
45          a social security leveling payment option, the allowance shall  
46          be adjusted actuarially for the difference between the amount  
47          received under the optional payment and what would have  
48          been paid if the retirement allowance had been paid without  
49          optional modification.
- 50          2.     For a member who does not earn three years' membership  
51          service after restoration to service, the retirement allowance

shall be equal to the sum of the retirement allowance to which he would have been entitled had he not been restored to service, without modification of the election of an optional allowance previously made, and the retirement allowance that results from service earned since being restored to service; provided, that if the prior retirement allowance was based on a social security leveling payment option, the prior allowance shall be adjusted actuarially for the difference between the amount that would have been paid for each month had the payment not been suspended and what would have been paid if the retirement allowance had been paid without optional modification."

**SECTION 12.(g)** G.S. 128-27(a), as amended by Section 3(i) of this act, reads as rewritten:

"(a) Service Retirement Benefits. –

- (1) Any member may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired: Provided, that the said member at the time so specified for his retirement shall have attained the age of 60 years and have at least five years of creditable service or shall have completed 30 years of creditable service, or if a fireman, he shall have attained the age of 55 years and have at least five years of creditable service.
- (2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.
- (3) Repealed by Session Laws 1971, c. 325, s. 12.
- (4) Any member who was in service October 8, 1981, who had attained 60 years of age, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired.
- (5) Any member who is a law enforcement officer, and who attains age 50 and completes 15 or more years of creditable service in this capacity or who attains age 55 and completes five or more years of creditable service in this capacity, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired; provided, also, any member who has met the conditions required by this subdivision but does not retire, and later becomes an employee other than as a law enforcement officer, continues to have the right to commence retirement."

**SECTION 12.(h)** G.S. 128-27(a1), as amended by Section 3(j) of this act, reads as rewritten:

"(a1) Early Service Retirement Benefits. – Any member may retire and receive a reduced retirement allowance upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired: Provided, that the said member at the time so specified for his retirement shall have attained the age of 50 years and have at least 20 years of creditable service."

**SECTION 12.(i)** G.S. 135-57(a) reads as rewritten:

"(a) Any member on or after January 1, 1974, who has attained his fiftieth birthday and five years of membership service may retire upon electronic submission or written application

1 to the board of trustees setting forth at what time, as of the first day of a calendar month, not  
2 less than one day nor more than 120 days subsequent to the execution and filing thereof, he  
3 desires to be retired."

4 **SECTION 12.(j)** G.S. 135-57(d), as amended by Section 3.(e) of this act, reads as  
5 rewritten:

6 "(d) Any member who was in service October 8, 1981, who had attained 50 years of age,  
7 may retire upon electronic submission or written application to the board of trustees setting  
8 forth at what time, as of the first day of a calendar month, not less than one day nor more than  
9 120 days subsequent to the execution and filing thereof, he desires to be retired."

10 **SECTION 12.(k)** G.S. 120-4.21(a) reads as rewritten:

11 "(a) Eligibility; Application. – Any member may retire with full benefits who has  
12 reached 65 years of age with five years of creditable service. Any member may retire with  
13 reduced benefits who has reached the age of 50 years with 20 years of creditable service or 60  
14 years with five years of creditable service. The member shall make electronic submission or  
15 written application to the Board of Trustees to retire on a service retirement allowance on the  
16 first day of the particular calendar month he designates. The designated date shall be no less  
17 than one day nor more than 120 days from the filing of the application. During this period of  
18 notification, a member may separate from service without forfeiting his retirement benefits."

19 **SECTION 13.** G.S. 135-106(b) reads as rewritten:

20 "(b) After the commencement of benefits under this section, the benefits payable under  
21 the terms of this section during the first 36 months of the long-term disability period shall be  
22 equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable  
23 to the participant or beneficiary prior to the beginning of the short-term disability period as may  
24 be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent  
25 (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would  
26 be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced  
27 by any primary Social Security disability benefits and by monthly payments for Workers'  
28 Compensation to which the participant or beneficiary may be entitled. The reduction for  
29 primary Social Security disability benefits shall begin the first month following the month in  
30 which the member becomes entitled to those benefits. The monthly benefit shall be further  
31 reduced by the amount of any monthly payments from the federal Department of Veterans  
32 Affairs, any other federal agency or any payments made under the provisions of  
33 G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same  
34 disability. Provided, in any event, the benefit payable shall be no less than ten dollars (\$10.00)  
35 a month. However, a disabled participant may elect to receive any salary continuation as  
36 provided in G.S. 135-104 in lieu of long-term disability benefits; provided such election shall  
37 not extend the first 36 consecutive calendar months of the long-term disability period. An  
38 election to receive any salary continuation for any part of any given day shall be in lieu of any  
39 long-term benefit payable for that day, provided further, any lump-sum payout for vacation  
40 leave shall be treated as if the beneficiary or participant had exhausted the leave and shall be in  
41 lieu of any long-term benefit otherwise payable. Provided that, in any event, a beneficiary's  
42 benefit shall be reduced during the first 36 months of the long-term disability period by an  
43 amount, as determined by the Board of Trustees, equal to a primary Social Security retirement  
44 benefit to which the beneficiary might be entitled.

45 After 36 months of long-term disability, no further benefits are payable under the terms of  
46 this section unless the member has been approved and is in receipt of primary Social Security  
47 disability benefits. In that case the benefits payable shall be equal to sixty-five percent (65%) of  
48 1/12th of the annual base rate of compensation last payable to the participant or beneficiary  
49 prior to the beginning of the short-term disability period as may be adjusted for percentage  
50 increases as provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual  
51 longevity payment to which the participant or beneficiary would be eligible, to a maximum of

1 three thousand nine hundred dollars (\$3,900) per month reduced by the primary Social Security  
2 disability benefits and by monthly payments for Workers' Compensation to which the  
3 participant or beneficiary may be entitled. The reduction for primary Social Security disability  
4 benefits shall begin the first month following the month in which the member becomes entitled  
5 to those benefits. The monthly benefit shall be further reduced by the amount of any monthly  
6 payments from the federal Department of Veterans Affairs, for payments from any other  
7 federal agency, or for any payments made under the provisions of G.S. 127A-108, to which the  
8 participant or beneficiary may be entitled on account of the same disability. Provided, in any  
9 event, the benefit payable shall be no less than ten dollars (\$10.00) a month.

10 Notwithstanding the foregoing, the long-term disability benefit is payable so long as the  
11 beneficiary is disabled and is in receipt of a primary Social Security disability benefit until the  
12 earliest date at which the beneficiary is eligible for an unreduced service retirement allowance  
13 from the Retirement System, at which time the beneficiary would receive a retirement  
14 allowance calculated on the basis of the beneficiary's average final compensation at the time of  
15 disability as adjusted to reflect compensation increases subsequent to the time of disability and  
16 the creditable service accumulated by the beneficiary, including creditable service while in  
17 receipt of benefits under the Plan. In the event the beneficiary has not been approved and is not  
18 in receipt of a primary Social Security disability benefit, the long-term disability benefit shall  
19 cease after the first 36 months of the long-term disability period. However, a beneficiary shall  
20 be entitled to a restoration of the long-term disability benefit in the event the Social Security  
21 Administration grants a retroactive approval for primary Social Security disability benefits with  
22 a benefit effective date within the first 36 months of the long-term disability period. In such  
23 event, the long-term disability benefit shall be restored retroactively to the date of cessation."

24 **SECTION 14.** This act becomes effective July 1, 2009.



## HOUSE BILL 642: Retirement Technical Corrections

2009-2010 General Assembly

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<b>Committee:</b>	House Pensions and Retirement, if favorable, Appropriations	<b>Date:</b>	April 28, 2009
<b>Introduced by:</b>	Rep. Tucker	<b>Prepared by:</b>	Karen Cochrane-Brown
<b>Analysis of:</b>	First Edition		Committee Counsel

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**SUMMARY:** *House Bill 642 makes technical corrections and other changes to the statutes governing the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System, the Local Governmental Employees' Retirement System, and the Firemen's and Rescue Squad Workers' Pension Fund.*

### BILL ANALYSIS:

**Section 1(a),(b), (c), and (d):** Amends the laws of each of the four State Retirement Systems to allow for non-spouse beneficiary rollovers to an Individual Retirement Account (IRA). When a member takes a refund of their contributions, they can either pay taxes on the benefit or defer the taxes by rolling the refund over to an IRA. If the member dies and the refund goes to a spouse, the spouse can do the same. New federal laws allow a non-spouse beneficiary (e.g. child, parent, or friend) to also roll the refund over to an IRA.

**Section 2(a):** Removes the inclusion of fire departments from the definition of the term "employer" in the Local Retirement System. The language would have allowed fire departments that are organized as non-profits, rather than governmental entities, to participate in Local Governmental Employees' Retirement System. However, it was only effective if the Internal Revenue Service granted approval. The IRS denied approval, so the language never applied and this would just remove this non-applicable language.

**Section 2(b) – (h)** Makes various changes in the Firemen's and Rescue Squad Workers' Pension Fund including: roster & money deadlines, adjustment of prior service wording, payment of full death benefit to beneficiary, and removal of \$25 administrative fee. The roster and money deadlines make the administration of the Fund easier by increasing consistency and giving statutory authority to force into compliance those departments that are not timely in their reporting. Some departments and employers pay a portion of the member's contributions and, upon withdrawal, those contributions are refunded to the department or employer, not the member. In the event of death, those contributions are also refunded to the fire department or rescue squads unit and only the amount truly paid by the member is refunded to the beneficiary. This change would have the Pension Fund to pay all contributions to the beneficiary, regardless of the source.

**Section 3(a) – (l):** Corrects some omitted changes that were made in 2007 in both the State and Local Retirement Systems regarding the filing timeframe of an application for retirement. The change was from 90 days to 120 days allowing the Retirement System Division to spread that workload more evenly.

**Section 4:** Removes the name(s) of the forms and just use form numbers for an application for retirement and the election of option.

**Section 5(a) – (f):** Makes the following changes in the State and Local Retirement Systems:

- Adds language to provide guidance for handling the payment of benefits if a member dies (i) after the effective date of retirement, (ii) following receipt by the Board of Trustees of an election of benefits form and (iii) before the first benefit check is cashed, then the retirement benefit is payable in accordance with the member's election of benefits.



# House Bill 642

Page 2

- Adds language that would provide guidance for handling the payment of benefits when the member dies after the effective date of retirement but prior to completion of the election of benefits form. If an election of benefits has not been made and only one beneficiary has been named, then that beneficiary could select the retirement option. If more than one beneficiary has been named, then the administrator of the estate could make the election.
- In calculation of the Survivor's Alternate Benefit (SAB), allows the application terminal payouts (such as unused vacation time and bonus leave) to the month prior to the month of death. The SAB is payable to a member's sole beneficiary when an active member dies with at least 20 years of service. Without this change, the calculation is slightly unfair for those who die early in a month because their large terminal payouts are added to a small amount of regular salary for a short month, making it less likely that their terminal payouts are part of their highest 48 months of earnings. The highest 48 months of earnings are used in calculating the benefit. This is a somewhat rare situation because the member has to die while active, with only one named beneficiary, after 20 years of service and die early in the month.

**Section 6(a) – (j):** Makes changes in each of the four State Retirement Systems related to the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, to give more rights to those called into military service in the Reserves or National Guard while serving as an active state or local government employee. They would receive our death benefits if they die while in service. They would also earn credit for service and military differential wages in all cases, not just if they return to employment with state or local government. These changes are required by the federal law.

**Section 7:** Change omitted salary calculation in the State and Local Retirement Systems to apply to beneficiaries, not just members. This allows corrections if salary was accidentally underreported by the employer. The provision currently applies only to those who have not yet retired and this change would extend the provision to those who have retired.

**Section 8:** Amends the return-to-work statutes to require employers in the State and Local Retirement Systems to report information on rehired retirees, along with the nature of their reemployment and the amount of compensation. It also provides time frame for reporting this information with penalties assessed if requirements aren't met.

**Section 9:** Makes change in the State Retirement System to provide a 100% joint and survivor payment like it's counterpart in the Local Retirement System. This involves a circumstance where a member has applied for disability but dies before the effective date of retirement.

**Section 10:** Changes National Guard death procedure to give retirees a check in the month of death, consistent with all the other retirement systems.

**Section 11(a) – (l):** Adds the phrase "electronic submission in a form approved by the Board of Trustees or by" in front of "written designation duly acknowledged" to allow members to change beneficiaries on-line. Electronic submission would only be available to those with less than 10 years of service to reduce fraud for more substantial accounts and older individuals.

**Section 12(a) – (k):** Adds the phrase "electronic submission or" in front of "written application" to allow members to file for retirement on-line.

**Section 13:** Amends the Disability Income Plan to begin the reduction for Social Security benefits on the first of the month following the month the member becomes entitled to the benefits.

**EFFECTIVE DATE:** This act becomes effective July 1, 2009.

*Stanley Moore, staff to House Pensions and Retirement committee substantially contributed to this summary.*

H642-SMRO-47(e1) v1



# NORTH CAROLINA GENERAL ASSEMBLY

## Legislative Services Office

George R. Hall, Legislative Services Officer

*al Research Division*

N. Salisbury Street, Suite 619

Raleigh, NC 27603-5925

Tel. 919-733-4910 Fax 919-715-3589

*Marilyn Chism*

Director

April 24, 2009

### MEMORANDUM

TO: Representative Russell Tucker

FROM: Stanley Moore *SM*  
Fiscal Research Division

SUBJECT: Actuarial Note for Proposed Committee Substitute for House Bill 642

Re: Retirement Technical Corrections

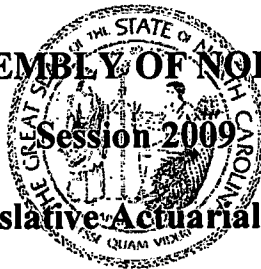
In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: House Principal Clerk

#### Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates

# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

### RETIREMENT

#### REVISED

**BILL NUMBER:** House Bill 642 (Proposed Committee Substitute)

**SHORT TITLE:** Retirement Technical Corrections.

**SPONSOR(S):** Representative Tucker

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**FUNDS AFFECTED:** (1) General Fund, Highway Fund, and Receipt Funds for the Teachers' and State Employees' Retirement System, (2) General Fund for the Consolidated Judicial Retirement System, (3) General Fund for the Legislative Retirement System, (4) General Fund for the Firemen's and Rescue Squad Workers' Pension Fund and (5) local funds for the Local Governmental Employees' Retirement System

**SYSTEM OR PROGRAM AFFECTED:** Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System, Local Governmental Employees' Retirement System and Firemen's and Rescue Squad Workers' Pension Fund.

**EFFECTIVE DATE:** July 1, 2009

**BILL SUMMARY:** Makes technical corrections and conforming changes to the various retirement systems and pension fund:

Section 1: Allows for non-spouse beneficiary rollovers to an Individual Retirement Account (IRA) in the State and Local Retirement Systems and Legislative System. When a member takes a refund of their contributions, they can either pay taxes on the benefit or defer the taxes by rolling the refund over to an IRA. If the member dies and the refund goes to a spouse, the spouse can do the same. New federal laws allow a non-spouse beneficiary (e.g. child, parent, or friend) to also roll the refund over to an IRA.

Section 2: (a) Removes the non-applicable language about fire departments in the Local Retirement System. The language would have allowed fire departments that are organized as non-profits, rather than governmental entities, to participate in Local Governmental Employees' Retirement System. However, it was only effective if the Internal Revenue Service granted approval. The IRS denied approval, so the language never applied and this would just remove this non-applicable language.

(b) Changes in the Firemen's and Rescue Squad Workers' Pension Fund include roster & money deadlines, adjustment of prior service wording, payment of full death benefit to beneficiary, and removal of \$25 administrative fee. The roster and money deadlines makes the administration of the Fund easier by increasing consistency and giving statutory authority to force into compliance those departments that are

not timely in their reporting. Some departments and employers pay a portion of the member's contributions and, upon withdrawal, those contributions are refunded to the department or employer, not the member. In the event of death, those contributions are also refunded to the fire department or rescue squads unit and only the amount truly paid by the member is refunded to the beneficiary. This change would have the Pension Fund to pay all contributions to the beneficiary, regardless of the source.

Section 3: Corrects some omitted changes that were made in 2007 in both the State and Local Retirement Systems regarding the filing timeframe of an application for retirement. The change was from 90 days to 120 days allowing the Retirement System Division to spread that workload more evenly.

Section 4: Removes the name(s) of the forms and just use form numbers for an application for retirement and the election of option.

Section 5: (1) Adds language in the State and Local Retirement Systems to provide guidance for handling the payment of benefits if a member dies (i) after the effective date of retirement, (ii) following receipt by the Board of Trustees of an election of benefits form and (iii) before the first benefit check is cashed, then the retirement benefit is payable in accordance with the member's election of benefits.

(2) Adds language in State and Local Retirement Systems that would provide guidance for handling the payment of benefits when the member dies after the effective date of retirement but prior to completion of the election of benefits form. If an election of benefits has not been made and only one beneficiary has been named, then that beneficiary could select the retirement option. If more than one beneficiary has been named, then the administrator of the estate could make the election.

(3) In calculation of the Survivor's Alternate Benefit (SAB), apply terminal payouts (for example unused vacation time and bonus leave) to the month prior to the month of death. The SAB is payable to a member's sole beneficiary when an active member dies with at least 20 years of service. Without this change, the calculation is slightly unfair for those who die early in a month because their large terminal payouts are added to a small amount of regular salary for a short month, making it less likely that their terminal payouts are part of their highest 48 months of earnings. The highest 48 months of earnings are used in calculating the benefit. This is a somewhat rare situation because the member has to die while active, with only one named beneficiary, after 20 years of service and die early in the month.

Section 6: Changes related to the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353 to give more rights to those called into military service in the Reserves or National Guard while serving as an active state or local government employee. They would receive our death benefits if they die while in service. They would also earn credit for service and military differential wages in all cases, not just if they return to employment with state or local government. These changes are required by the federal law.

Section 7: Change omitted salary calculation in the State and Local Retirement Systems to apply to beneficiaries, not just members. This allows corrections if salary was accidentally

underreported by the employer. The provision currently applies only to those who have not yet retired and this change would extend the provision to those who have retired.

Section 8: Return-to-Work statutory provision requiring employers in the State and Local Retirement Systems to require employers to report information on rehired retirees, along with the nature of their reemployment and the amount of compensation. It also provides time frame for reporting this information with penalties assessed if requirements aren't met.

Section 9: Change the State Retirement System to provide a 100% joint and survivor payment like it's counterpart in the Local Retirement System. This is a circumstance where a member who has applied for disability but dies before the effective date of retirement.

Section 10: Change National Guard death procedure to give retirees a check in the month of death, consistent with all the other retirement systems.

Section 11: Add the phrase "electronic submission in a form approved by the Board of Trustees or by" in front of "written designation duly acknowledged" **to allow members to change beneficiaries on-line**. Electronic submission would only be available to those with less than 10 years of service to reduce fraud for more substantial accounts and older individuals.

Section 12: Add the phrase "electronic submission or" in front of "written application" **to allow members to file for retirement on-line**.

**ESTIMATED IMPACT ON STATE:** Both, Buck Consultants, the Retirement Systems' actuary, and Hartman & Associates, the General Assembly's actuary, agree that the changes would not be expected to produce a significant financial impact to the retirement systems.

#### **ASSUMPTIONS AND METHODOLOGY:**

##### **Teachers' & State Employees' Retirement System**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2007 actuarial valuation of the fund. The data included 338,490 active members with an annual payroll of \$12.7 billion, 145,855 retired members in receipt of annual pensions totaling \$2.9 billion, and actuarial value of assets equal to \$55.3 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) average salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables (tables are not adjusted for male teachers, set forward one year for female teachers, set forward two years for general employees and law enforcement officers and set forward two years for the beneficiaries of deceased member), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal cost method and a frozen liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

##### **Consolidated Judicial Retirement System**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2007 actuarial valuation of the fund. The data included 548 active members with an annual payroll of \$61.3 million, 482 retired members in

receipt of annual pensions totaling \$26 million, and actuarial value of assets equal to \$430.4 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables, (tables are set forward two years for post-retirement period and set back one year for pre-retirement period and special mortality tables are used for period after disability retirement), and (d) rates of separation from active service based on System experience. The actuarial cost method used to determine the liabilities is the projected unit credit. Projected benefits and the corresponding liabilities are allocated based on proration by creditable service. The method used to determine the contribution rate is the projected unit credit method with a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

#### **Legislative Retirement System**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2007 actuarial valuation of the fund. The data included 170 active members with an annual payroll of \$3.7 million, 265 retired members in receipt of annual pensions totaling \$1.9 million and actuarial value of assets equal to \$30.7 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1971 Group Annuity Mortality Tables for deaths in service and after retirement and (c) 100% vesting after five years of service with no assumptions for terminations other than death and disability. The actuarial cost method used was the projected unit credit cost method with service prorata. The actuarial liability is computed by using member service to date and attributing an equal benefit amount to each year of credited and expected future service. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

#### **Local Governmental Employees' Retirement System**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2007 actuarial valuation of the fund. The data included 127,959 active members with an annual payroll of \$4.75 billion, 42,408 retired members in receipt of annual pensions totaling \$689.4 million, and actuarial value of assets equal to \$16.8 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables, (tables are set forward three years for males, set forward two years for females and set forward two years for the beneficiaries of deceased members and special mortality tables are used for period after disability retirement), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Gains and losses are reflected in the normal rate. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

#### **Firemen and Rescue Squad Workers' Pension Fund**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the June 30, 2008 actuarial valuation of the fund. The data included 36,160 active members; 10,509 retired members in receipt of annual pensions totaling \$21.4 million, and actuarial value of assets equal to \$317 million. Significant actuarial assumptions used include (a)

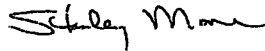
an investment return rate of 7.25%, (b) the 1974 George B. Buck Mortality Table for deaths after retirement and (c) rates of separation from active service based on Fund experience. The actuarial cost method used was the entry age method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** Buck Consultants  
Hartman & Associates, LLC

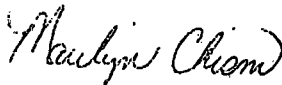
**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910. The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**PREPARED BY:** Stanley Moore



**APPROVED BY:**



Marilyn Chism, Director  
Fiscal Research Division

**DATE:** April 23, 2009



April 8, 2009

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: House Bill 642 / Senate Bill 645**

Dear Mr. Vanderweide:

We have received your request of March 18 regarding House Bill 642, which is equivalent to Senate Bill 645, and which affects the Teachers' and State Employees' Retirement System (TSERS), the Local Governmental Employees' Retirement System (LGERS), the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the National Guard Pension Fund (NGPF), the Firemen's and Rescue Squad Workers' Pension Fund (FRSWPF) and the Disability Income Plan (DIP).

Sections 1(a), 1(b), 1(c) and 1(d) of the bill amend G.S. 135-18.7(d), G.S. 135-74(d), G.S. 120-4.31(d) and G.S. 128-38.2(d), respectively, and appear to permit non-spouse IRA rollovers from TSERS, CJRS, LRS, and LGERS, respectively. The effective date of Section 1 is January 1, 2007. The changes of Section 1(c) would affect the LRS, but since we are not the actuary for LRS, we have not reviewed this section of the bill. Sections 1(a), 1(b) and 1(d) would not increase the liabilities or contribution rates of TSERS, CJRS or LGERS.

Section 2(a) of the bill amends G.S. 128-21(11) and appears to remove non-applicable language in the definition of Employer in LGERS. Section 2(a) would not increase the liabilities or contribution rates of LGERS.

Sections 2(b) and 2(c) of the bill amend G.S. 58-86-25 and G.S. 58-86-30, respectively, and appear to amend the deadline for providing lists of "eligible firemen" and "eligible rescue squad workers," to the State Treasurer. Sections 2(b) and 2(c) would not increase the liabilities or contribution rate of FRSWPF.





Sections 2(d) and 2(e) of the bill amend G.S. 58-86-35 and 58-86-40, respectively, and appear to define a deadline for monthly payments made to the fund by firemen and rescue squad workers, respectively. Sections 2(d) and 2(e) would not increase the liabilities or contribution rate of FRSWPF.

Section 2(f) of the bill amends G.S. 58-86-45(b) and appears to replace the mandatory purchase of prior service with an employee option. Based on the results of the June 30, 2008 valuation of FRSWPF the impact on FRSWPF would be immaterial.

Section 2(g) repeals 58-86-50 and Section 2(h) amends G.S. 58-86-60 and appear to remove the \$25 administrative fee for rejoining the plan or withdrawing funds from the plan, respectively. Sections 2(g) and 2(h) would not materially increase liabilities or required contribution of FRSWPF (less than 0.04% and 0.30%, respectively).

Section 3 of the bill amends G.S. 135-5(a)(3), G.S. 135-5(a)(4), G.S. 135-5(a1), G.S. 135-5(c), G.S. 135-57(d), G.S. 135-59(a), G.S. 128-24(4), G.S. 128-24(5), 128-27(a1), G.S. 128-27(c) and G.S. 120-4.22(a) and appears to increase the period of time a member has to file their application for retirement from 90 to 120 days. The changes of Section 3(l) would affect LRS, but since we are not the actuary for LRS we have not reviewed this section of the bill. The remaining sections of the bill would not increase the liabilities or contribution rates of TSERS, LGERS or CJRS.

Section 4 of the bill amends G.S. 128-32.1 and G.S. 135-10.1 and appears to remove the name of the form from the statute regarding failure to respond for LGERS and TSERS, respectively. Section 4 would not increase the liabilities or contribution rates of TSERS or LGERS.

Section 5 of the bill amends G.S. 135-5(g), G.S. 135-5(g1), G.S. 135-5(m), G.S. 128-27(g), G.S. 128-27(g1) and G.S. 128-27(m) and appears to provide guidance on handling the payment of benefits when the member dies after the effective date of retirement but prior to the election of benefits or cashing the first check and credits terminal payouts to the month prior to the month of death in the calculation of the Survivor's Alternate Benefit for TSERS and LGERS. While this provision would increase the amount of the Survivor's Alternate Benefit, the impact on TSERS or LGERS would be immaterial.

Section 6 of the bill amends G.S. 135-5(l), G.S. 128-27(l), G.S. 120-4.27, G.S. 135-1(7a), G.S. 128-21(7a), G.S. 135-53(5), G.S. 120-4.8(5), G.S. 135-1(10) and G.S. 128-21(10); adds G.S. 135-63(e); and appears to implement changes required by federal law to extend death benefits to members called into military service and provide service and compensation credit to those members. The changes of Sections 6(d) and 6(h) affect LRS, but since we are not the actuary for LRS we have not reviewed this section of the bill. While the remaining sections of the bill would

increase the liabilities of TSERS and LGERS, the impact on TSERS and LGERS would be immaterial.

Section 7 of the bill amends G.S. 135-8(b2) and G.S. 128-30(b2) and appears to extend the calculation of contributions on omitted salary to beneficiaries of TSERS and LGERS, respectively. While Section 7 of the bill would increase the liabilities of TSERS and LGERS, the impact on TSERS and LGERS would be immaterial.

Section 8 of the bill adds G.S. 135-3(8)(c1) and G.S. 128-24(5)(c1) and appears to clarify that employers are required to report rehired retirees within 90 days of reemployment and establishes penalties for non-compliance for TSERS and LGERS, respectively. Section 8 would not increase the liabilities or contribution rates of TSERS or LGERS.

Section 9 of the bill further amends G.S. 135-5(c) and appears to provide a 100% joint and survivor payment when a member dies after being eligible for disability retirement in TSERS but before the benefit starts. While Section 9 increases the liabilities of TSERS, the impact on TSERS would be immaterial.

Section 10 of the bill amends G.S. 127A-40(b) and appears to provide National Guard retirees a check in the month of death. Section 10 would not materially increase the liabilities or required contribution of NGPF (less than 0.3% and 0.9%, respectively).

Section 11 of the bill amends G.S. 135-63(a), G.S. 135-63(c), G.S. 135-64(c), G.S. 135-64(d), G.S. 135-5(f), G.S. 128-27(f), G.S. 120-4.25 and G.S. 120-4.26A; further amends G.S. 135-5(g1), G.S. 135-5(l), G.S. 128-27(g1), and G.S. 128-27(l); and appears to allow members with less than 10 years of service in TSERS, LGERS and LRS to change beneficiary elections online. The changes of Sections 11(k) and 11(l) would affect LRS, but since we are not the actuary for LRS we have not reviewed these sections of the bill. The remaining sections of the bill would not increase the liabilities or contribution rates of TSERS or LGERS.

Section 12 of the bill amends G.S. 135-3(3), G.S. 135-57(a) and G.S. 120-4.21(a); further amends G.S. 135-3(8), G.S. 135-5(a), G.S. 135-5(a1), G.S. 128-24(4), G.S. 128-24(5), G.S. 128-27(a), G.S. 128-27(a1), and G.S. 135-57(d); and appears to allow members of TSERS, LGERS and LRS to apply for retirement online. The changes of Sections 12(k) would affect LRS, but since we are not the actuary for LRS we have not reviewed this section of the bill. The remaining sections of the bill would not increase the liabilities or contribution rates of TSERS or LGERS.

Section 13 of the bill amends 135-106(b) and appears to delay, by one month, the timing of Social Security offsets in the DIP. Based on the results of the December 31, 2007 valuation and one additional payment without the Social Security offset to (i) current disabled participants not reported with a Social Security offset as of the valuation date and (ii) all active participants assumed to become disabled in the future, we estimate that the contribution rate for the DIP will increase by 0.01% of payroll due to this proposed legislation. Assuming that none of the undistributed gains are used to cover the costs of this proposed change and based on the estimated state payrolls for the 2009 Session of the General Assembly, the cost of this proposed change for the 2009 - 2010 fiscal year is:

	Estimated State Payroll for Retirement Appropriations Purposes for the 2009 Session of the General Assembly	Estimated Increase in Contributions for 2009 - 2010 Fiscal Year
General Fund	\$ 11,173,000,000	\$ 1,117,300
Highway Fund	474,000,000	47,400
Receipts/Other Funds	4,160,000,000	416,000
Total	\$ 15,807,000,000	\$ 1,580,700

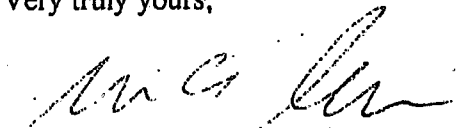
Unless noted above, the effective date of this proposed legislation is July 1, 2009.

Our cost estimates for these proposed changes are based on the December 31, 2007, valuation of TSERS, LGERS, CJRS, NGPF and DIP and the June 30, 2008 valuation of FRSWPF and do not reflect the asset experience that occurred during 2008, except FRSWPF which reflect a portion of the 2008 asset experience through June 30, 2008. The asset experience that occurred during 2008 will result in a significant increase in the required contributions for the 2010 - 2011 fiscal year.

I am an Enrolled Actuary, a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, FSA, EA, MAAA  
Principal, Consulting Actuary

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668 Link Road  
Lexington, NC 27295

April 21, 2009

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: House Bill 642 Proposed Committee Substitute: An Act to Make Technical Corrections and Other Changes to the Statutes Governing the TSERS, CJRS, LRS, LGERS, and FRSW Fund

Dear Mr. Moore:

The proposed committee substitute to this bill amends various provisions of the General Statutes to make technical corrections to the Teachers' and State Employees' Retirement System (TSERS), the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the Local Governmental Employees' Retirement System (LGERS), and the Firemen's and Rescue Squad Workers' Pension Fund (FRSW). This act is effective July 1, 2009. The changes include:

1. Allow a non-spouse beneficiary of a deceased member of the TSERS, CJRS, LRS, or LGERS to rollover the beneficiary's distribution;
2. Modify the definition of Employer in the LGERS to remove non-applicable language that would have allowed fire departments organized as non-profits to participate in the LGERS; modify reporting and payment deadlines in the FRSW; remove the \$25 administrative fee in the FRSW; and, upon the death of a member of the FRSW, refund all contributions made on behalf of the member to the beneficiary;
3. Change the maximum time prior to the retirement date that a member of the TSERS or LGERS can apply for retirement from 90 days to 120 days;
4. Remove the name of the form from the statutes regarding failure to respond in the TSERS and LGERS;
5. Provide that if a member of the TSERS or LGERS dies after the effective date of retirement but prior to the election of benefits, the beneficiary may elect the payment option; provide that terminal payouts would be included in the month prior to the month of death in computing the Survivor's Alternate Benefit;
6. Apply changes under federal law to extend payment of the death benefit in the TSERS, CJRS, LRS, and LGERS to active members called into military service and to provide service and compensation credits to those members;
7. Change the omitted salary calculation on the TSERS and LGERS to apply to beneficiaries, in addition to members;
8. Require employers to report rehires of retired members of the TSERS and LGERS within 90 days of reemployment and specifies penalties for non-compliance;

Mr. Stanley Moore  
April 21, 2009

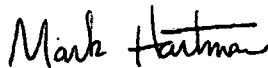
Page 2

9. Provide a 100% joint and survivor payment in the TSERS when a member eligible for disability retirement dies before benefits begin;
10. Provide National Guard retirees a check in the month of death, consistent with the other systems;
11. Provide that members of the TSERS, CJRS, LRS, and LGERS with less than ten years of service may change their beneficiary designation online; and
12. Provide that members of the TSERS, CJRS, LRS, and LGERS may apply for retirement online.

I have reviewed the above changes and the most recent actuarial valuations as of December 31, 2007 (June 30, 2008 for the FRSW Fund). None of the above changes are expected to have a material impact on the affected retirement systems.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

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**HOUSE BILL 642\*  
PROPOSED COMMITTEE SUBSTITUTE H642-PCS80363-LL-14**

Short Title: Retirement Technical Corrections.

(Public)

Sponsors:

Referred to:

March 18, 2009

A BILL TO BE ENTITLED

AN ACT TO MAKE TECHNICAL CORRECTIONS AND OTHER CHANGES TO THE STATUTES GOVERNING THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, AND THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

The General Assembly of North Carolina enacts:

**SECTION 1.(a)** G.S. 135-18.7(d) reads as rewritten:

"(d) This subsection applies to distributions made on or after January 1, 1993. Notwithstanding any other provision of the Plan to the contrary that would otherwise limit a distributee's election under this Article, a distributee may elect, at the time and in the manner prescribed by the Plan administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. Provided, an eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of 10 years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net realized appreciation with respect to employer securities). Effective as of January 1, 2002, and notwithstanding the preceding sentence, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible. Provided, an eligible retirement plan is an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible



\* H 6 4 2 - P C S 8 0 3 6 3 - L L - 1 4 \*

1 rollover distribution. Effective on and after January 1, 2002, an eligible retirement plan shall  
2 also mean an annuity contract described in Section 403(b) of the Code and an eligible plan  
3 under Section 457(b) of the Code which is maintained by a state, political subdivision of a  
4 state, or any agency or instrumentality of a state or political subdivision of a state and which  
5 agrees to separately account for amounts transferred into such plan from this Plan. The  
6 definition of eligible retirement plan shall also apply in the case of a distribution to surviving  
7 spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic  
8 relations order, as defined in Section 414(p) of the Internal Revenue Code, or a court-ordered  
9 equitable distribution of marital property, as provided under G.S. 50-30. Provided, a distributee  
10 includes an employee or former employee. Provided further, a direct rollover is a payment by  
11 the Plan to the eligible retirement plan specified by the distributee. Effective on and after  
12 January 1, 2007, notwithstanding any other provision of this subsection, a nonspouse  
13 beneficiary of a deceased member may elect, at the time and in the manner prescribed by the  
14 administrator of the Board of Trustees of this Retirement System, to directly roll over any  
15 portion of the beneficiary's distribution from the Retirement System; however, such rollover  
16 shall conform with the provisions of section 402(c)(11) of the Code."

17 **SECTION 1.(b)** G.S. 135-74(d) reads as rewritten:

18 "(d) This subsection applies to distributions made on or after January 1, 1993.  
19 Notwithstanding any other provision of the Plan to the contrary that would otherwise limit a  
20 distributee's election under this Article, a distributee may elect, at the time and in the manner  
21 prescribed by the Plan administrator, to have any portion of an eligible rollover distribution  
22 paid directly to an eligible retirement plan specified by the distributee in a direct rollover.  
23 Provided, an eligible rollover distribution is any distribution of all or any portion of the balance  
24 to the credit of the distributee, except that an eligible rollover distribution does not include: any  
25 distribution that is one of a series of substantially equal periodic payments (not less frequently  
26 than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint  
27 life expectancies) of the distributee and the distributee's designated beneficiary, or for a  
28 specified period of 10 years or more; any distribution to the extent such distribution is required  
29 under section 401(a)(9) of the Code; and the portion of any distribution that is not includible in  
30 gross income (determined without regard to the exclusion for net realized appreciation with  
31 respect to employer securities). Effective as of January 1, 2002, and notwithstanding the  
32 preceding sentence, a portion of a distribution shall not fail to be an eligible rollover  
33 distribution merely because the portion consists of after-tax employee contributions which are  
34 not includible in gross income. However, such portion may be transferred only to an individual  
35 retirement account or annuity described in Section 408(a) or (b) of the Code, or to a qualified  
36 defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to  
37 separately account for amounts so transferred, including separately accounting for the portion  
38 of such distribution which is includible in gross income and the portion of such distribution  
39 which is not so includible. Provided, an eligible retirement plan is an individual retirement  
40 account described in section 408(a) of the Code, an individual retirement annuity described in  
41 section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a  
42 qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible  
43 rollover distribution. Effective on and after January 1, 2002, an eligible retirement plan shall  
44 also mean an annuity contract described in Section 403(b) of the Code and an eligible plan  
45 under Section 457(b) of the Code which is maintained by a state, political subdivision of a  
46 state, or any agency or instrumentality of a state or political subdivision of a state and which  
47 agrees to separately account for amounts transferred into such plan from this Plan. The  
48 definition of eligible retirement plan shall also apply in the case of a distribution to surviving  
49 spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic  
50 relations order, as defined in Section 414(p) of the Internal Revenue Code, or a court-ordered  
51 equitable distribution of marital property, as provided under G.S. 50-30. Provided, a distributee



1 includes an employee or former employee. Provided further, a direct rollover is a payment by  
2 the Plan to the eligible retirement plan specified by the distributee. Effective on and after  
3 January 1, 2007, notwithstanding any other provision of this subsection, a nonspouse  
4 beneficiary of a deceased member may elect, at the time and in the manner prescribed by the  
5 administrator of the Board of Trustees of this Retirement System, to directly roll over any  
6 portion of the beneficiary's distribution from the Retirement System; however, such rollover  
7 shall conform with the provisions of section 402(c)(11) of the Code."

8 **SECTION 1.(c)** G.S. 120-4.31(d) reads as rewritten:

9 "(d) This subsection applies to distributions made on or after January 1, 1993.  
10 Notwithstanding any other provision of the Plan to the contrary that would otherwise limit a  
11 distributee's election under this Article, a distributee may elect, at the time and in the manner  
12 prescribed by the Plan administrator, to have any portion of an eligible rollover distribution  
13 paid directly to an eligible retirement plan specified by the distributee in a direct rollover.  
14 Provided, an eligible rollover distribution is any distribution of all or any portion of the balance  
15 to the credit of the distributee, except that an eligible rollover distribution does not include: any  
16 distribution that is one of a series of substantially equal periodic payments (not less frequently  
17 than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint  
18 life expectancies) of the distributee and the distributee's designated beneficiary, or for a  
19 specified period of 10 years or more; any distribution to the extent such distribution is required  
20 under section 401(a)(9) of the Code; and the portion of any distribution that is not includible in  
21 gross income (determined without regard to the exclusion for net realized appreciation with  
22 respect to employer securities). Effective as of January 1, 2002, and notwithstanding the  
23 preceding sentence, a portion of a distribution shall not fail to be an eligible rollover  
24 distribution merely because the portion consists of after-tax employee contributions that are not  
25 includible in gross income. However, such portion may be transferred only to an individual  
26 retirement account or annuity described in Section 408(a) or (b) of the Code, or to a qualified  
27 defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to  
28 separately account for amounts so transferred, including separately accounting for the portion  
29 of such distribution which is includible in gross income and the portion of such distribution  
30 which is not so includible. Provided, an eligible retirement plan is an individual retirement  
31 account described in section 408(a) of the Code, an individual retirement annuity described in  
32 section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a  
33 qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible  
34 rollover distribution. Effective on and after January 1, 2002, an eligible retirement plan shall  
35 also mean an annuity contract described in Section 403(b) of the Code and an eligible plan  
36 under Section 457(b) of the Code which is maintained by a state, political subdivision of a  
37 state, or any agency or instrumentality of a state or political subdivision of a state and which  
38 agrees to separately account for amounts transferred into such plan from this Plan. The  
39 definition of eligible retirement plan shall also apply in the case of a distribution to surviving  
40 spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic  
41 relations order, as defined in Section 414(p) of the Internal Revenue Code, or a court-ordered  
42 equitable distribution of marital property, as provided under G.S. 50-30. Provided, a distributee  
43 includes an employee or former employee. Provided further, a direct rollover is a payment by  
44 the Plan to the eligible retirement plan specified by the distributee. Effective on and after  
45 January 1, 2007, notwithstanding any other provision of this subsection, a nonspouse  
46 beneficiary of a deceased member may elect, at the time and in the manner prescribed by the  
47 administrator of the Board of Trustees of this Retirement System, to directly roll over any  
48 portion of the beneficiary's distribution from the Retirement System; however, such rollover  
49 shall conform with the provisions of section 402(c)(11) of the Code."

50 **SECTION 1.(d)** G.S. 128-38.2(d) reads as rewritten:

"(d) This subsection applies to distributions made on or after January 1, 1993. Notwithstanding any other provision of the Plan to the contrary that would otherwise limit a distributee's election under this Article, a distributee may elect, at the time and in the manner prescribed by the Plan administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. Provided, an eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of 10 years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net realized appreciation with respect to employer securities). Effective as of January 1, 2002, and notwithstanding the preceding sentence, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible. Provided, an eligible retirement plan is an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. Effective on and after January 1, 2002, an eligible retirement plan shall also mean an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Internal Revenue Code, or a court-ordered equitable distribution of marital property, as provided under G.S. 50-30. Provided, a distributee includes an employee or former employee. Provided further, a direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee. Effective on and after January 1, 2007, notwithstanding any other provision of this subsection, a nonspouse beneficiary of a deceased member may elect, at the time and in the manner prescribed by the administrator of the Board of Trustees of this Retirement System, to directly roll over any portion of the beneficiary's distribution from the Retirement System; however, such rollover shall conform with the provisions of section 402(c)(11) of the Code."

**SECTION 2.(a)** G.S. 128-21(11) reads as rewritten:

"(11) "Employer" shall mean any county, incorporated city or town, the board of alcoholic control of any county or incorporated city or town, the North Carolina League of Municipalities, and the State Association of County Commissioners. "Employer" shall also mean any separate, juristic political subdivision of the State as may be approved by the Board of Trustees upon the advice of the Attorney General. ~~"Employer" also means any fire department that serves a city or county or any part of a city or county and that is supported in whole or in part by municipal or county funds."~~

**SECTION 2.(b)** G.S. 58-86-25 reads as rewritten:

**"§ 58-86-25. "Eligible firemen" defined; determination and certification of volunteers meeting qualifications.**

"Eligible firemen" shall mean all firemen of the State of North Carolina or any political subdivision thereof, including those performing such functions in the protection of life and property through fire fighting within a county or city governmental unit and so certified to the Commissioner of Insurance by the governing body thereof, and who belong to a bona fide fire department which, as determined by the Commissioner, is classified as not less than class "9" or class "A" and "AA" departments in accordance with rating methods, schedules, classifications, underwriting rules, bylaws or regulations effective or applied with respect to the establishment of rates or premiums used or charged pursuant to Article 36 or 40 of this Chapter or by such other reasonable methods as the Commissioner may determine, and which operates fire apparatus and equipment of the value of five thousand dollars (\$5,000) or more, and said fire department holds drills and meetings not less than four hours monthly and said firemen attend at least 36 hours of all drills and meetings in each calendar year. "Eligible firemen" shall also mean an employee of a county whose sole duty is to act as fire marshal, deputy fire marshal, assistant fire marshal, or firefighter of the county, provided the board of county commissioners of that county certifies the employee's attendance at no less than 36 hours of all drills and meetings in each calendar year. "Eligible firemen" shall also mean those persons meeting the other qualifications of this section, not exceeding 25 volunteer firemen plus one additional volunteer fireman per 100 population in the area served by their respective departments. Each department shall annually determine and report the names of those firemen meeting the eligibility qualifications of this section to its respective governing body, which upon determination of the validity and accuracy of the qualification shall promptly certify the list to the North Carolina State Firemen's Association. The Firemen's Association shall provide a list of those persons meeting the eligibility requirements of this section to the State Treasurer by ~~July 1~~ January 31 of each year. For the purposes of the preceding sentence, the governing body of a fire department operated: by a county is the county board of commissioners; by a city is the city council; by a sanitary district is the sanitary district board; by a corporation, whether profit or nonprofit, is the corporation's board of directors; and by any other entity is that group designated by the board."

**SECTION 2.(c) G.S. 58-86-30 reads as rewritten:**

**"§ 58-86-30. "Eligible rescue squad worker" defined; determination and certification of eligibility.**

"Eligible rescue squad worker" means a person who is a member of a rescue or emergency medical services squad that is eligible for membership in the North Carolina Association of Rescue and Emergency Medical Services, Inc., and who has attended a minimum of 36 hours of training and meetings in the last calendar year. Each rescue or emergency medical services squad eligible for membership in the North Carolina Association of Rescue and Emergency Medical Services, Inc., must file a roster certified by the secretary of the association of those rescue or emergency medical services squad workers meeting the requirements of this section with the State Treasurer by ~~January 1~~ January 31 of each calendar year.

"Eligible rescue squad worker" does not mean "eligible fireman" as defined by G.S. 58-86-25, nor may an "eligible rescue squad worker" qualify also as an "eligible fireman" in order to receive double benefits available under this Article."

**SECTION 2.(d) G.S. 58-86-35 reads as rewritten:**

**"§ 58-86-35. Firemen's application for membership in fund; monthly payments by members; payments credited to separate accounts of members; termination of membership.**

Those firemen who are eligible pursuant to G.S. 58-86-25 may make application for membership to the board. Each fireman upon becoming a member of the fund shall pay the director of the fund the sum of ten dollars (\$10.00) per ~~month~~. month; each payment shall be

1 made no later than 90 days after the end of the calendar year in which the month occurred. The  
2 monthly payments shall be credited to the separate account of the member and shall be kept by  
3 the custodian so it is available for payment on withdrawal from membership or retirement.

4 A member may elect to terminate membership in the fund at anytime and request the refund  
5 of payments previously made to the fund. However, a member's delinquency in making the  
6 monthly payments required by this section does not result in the termination of membership  
7 without such an election by the member."

8 **SECTION 2.(e)** G.S. 58-86-40 reads as rewritten:

9 **"§ 58-86-40. Rescue squad worker's application for membership in funds; monthly**  
10 **payments by members; payments credited to separate accounts of members;**  
11 **termination of membership.**

12 Those rescue squad workers eligible pursuant to G.S. 58-86-30 may apply to the board for  
13 membership. Each eligible rescue squad worker upon becoming a member shall pay the  
14 director of the fund the sum of ten dollars (\$10.00) per ~~month~~ month; each payment shall be  
15 made no later than 90 days after the end of the calendar year in which the month occurred. The  
16 monthly payments shall be credited to the separate account of the member and shall be kept by  
17 the custodian so it is available for payment on withdrawal from membership or retirement.

18 A member may elect to terminate membership in the fund at anytime and request the refund  
19 of payments previously made to the fund. However, a member's delinquency in making the  
20 monthly payments required by this section does not result in the termination of membership  
21 without such an election by the member."

22 **SECTION 2.(f)** G.S. 58-86-45(b) reads as rewritten:

23 "(b) An eligible fireman or rescue squad worker who is not yet 35 years old ~~and has not~~  
24 ~~previously elected to become a member~~ may apply to the board of trustees for membership in  
25 the fund at any time. Upon becoming a member, the worker ~~must~~ may make a lump sum  
26 payment of ten dollars (\$10.00) per month retroactively to the time the worker first became  
27 eligible to become a member, plus interest at an annual rate to be set by the board for each year  
28 of retroactive payments. Upon making this lump sum payment, the worker shall be given credit  
29 for all prior service in the same manner as if the worker had applied for membership upon first  
30 becoming eligible.

31 A member who is not yet 35 years old, ~~who applied for membership after first becoming~~  
32 ~~eligible, and who did not receive credit for prior service~~ old may receive credit for the prior  
33 service upon making a lump sum payment of ten dollars (\$10.00) for each month since the  
34 worker first became eligible, plus interest at an annual rate to be set by the board for each year  
35 of retroactive payments. Upon making this lump sum payment, the date of membership shall be  
36 the same as if the worker had applied for membership upon first becoming eligible."

37 **SECTION 2.(g)** G.S. 58-86-50 is repealed.

38 **SECTION 2.(h)** G.S. 58-86-60 reads as rewritten:

39 **"§ 58-86-60. Payments in lump sums.**

40 The board shall direct payment in lump sums from the fund in the following cases:

- 41 (1) To any fireman or rescue squad worker upon the attaining of the age of 55  
42 years, who, for any reason, is not qualified to receive the monthly retirement  
43 pension and who was enrolled as a member of the fund, an amount equal to  
44 the amount paid into the fund by him. This provision shall not be construed  
45 to preclude any active fireman or rescue squad worker from completing the  
46 requisite number of years of active service after attaining the age of 55 years  
47 necessary to entitle him to the pension.
- 48 (2) If any fireman or rescue squad worker dies before attaining the age at which  
49 a pension is payable to him under the provisions of this Article, there shall  
50 be paid to his widow, or if there be no widow, to the person responsible for  
51 his child or children, or if there be no widow or children, then to his heirs at

law as may be determined by the board or to his estate, if it is administered and there are no heirs, an amount equal to the amount paid into the ~~fund~~ member's separate account by or on behalf of the said fireman or rescue squad worker.

(3) If any fireman or rescue squad worker dies after beginning to receive the pension payable to him by this Article, and before receiving an amount equal to the amount paid into the fund by him, there shall be paid to his widow, or if there be no widow, then to the person responsible for his child or children, or if there be no widow or children, then to his heirs at law as may be determined by the board or to his estate, if it is administered and there are no heirs, an amount equal to the difference between the amount paid into the ~~fund~~ member's separate account by or on behalf of the said fireman or rescue squad worker and the amount received by him as a pensioner.

(4) Any member withdrawing from the fund shall, upon proper application, be paid all moneys the individual contributed to the fund without accumulated earnings on the payments after the time they were ~~made less an administrative fee equal to the lesser of the amount the individual contributed to the fund or twenty five dollars (\$25.00). The administrative fees collected by the fund shall be retained by the Board to defray administrative expenses, including salaries. made.~~ Notwithstanding the foregoing, if any person, firm, corporation, or other entity has made contributions on behalf of a member and that member withdraws from the fund, the person, firm, corporation, or other entity shall be entitled to a refund equal to the amount of contributions made by them after the Board has been notified of the contributor's desire to be refunded its contributions upon the member's withdrawal. ~~Any refunds to a contributor other than a member shall also be subject to the twenty five dollar (\$25.00) administrative fee. If a refund is to be shared by a member and another party the administrative fee shall be applied to each portion on a pro rata basis."~~

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

"(3) Any member who was in service October 8, 1981, who had attained 60 years of age, may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to be retired."

**SECTION 3.(b)** G.S. 135-5(a)(4) reads as rewritten:

"(4) Any member who is a law-enforcement officer, and who attains age 50 and completes 15 or more years of creditable service in this capacity or who attains age 55 and completes five or more years of creditable service in this capacity, may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to be retired; Provided, also, any member who has met the conditions herein required but does not retire, and later becomes a teacher or an employee other than as a law-enforcement officer shall continue to have the right to commence retirement."

**SECTION 3.(c)** G.S. 135-5(a1) reads as rewritten:

"(a1) Early Service Retirement Benefits. – Any member may retire and receive a reduced retirement allowance upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than ~~90~~ 120 days subsequent to the execution of and filing thereof, he desires to be retired: Provided, that the said

1 member at the time so specified for his retirement shall have attained the age of 50 years and  
2 have at least 20 years of creditable service."

3 **SECTION 3.(d)** G.S. 135-5(c) reads as rewritten:

4 "(c) Disability Retirement Benefits of Members Leaving Service Prior to January 1,  
5 1988. – The provisions of this subsection shall not be applicable to members in service on or  
6 after January 1, 1988. Upon the application of a member or of his employer, any member who  
7 has had five or more years of creditable service may be retired by the Board of Trustees, on the  
8 first day of any calendar month, not less than one day nor more than ~~90~~ 120 days next  
9 following the date of filing such application, on a disability retirement allowance: Provided,  
10 that the medical board, after a medical examination of such member, shall certify that such  
11 member is mentally or physically incapacitated for the further performance of duty, that such  
12 incapacity was incurred at the time of active employment and has been continuous thereafter,  
13 that such incapacity is likely to be permanent, and that such member should be retired;  
14 Provided further the medical board shall determine if the member is able to engage in gainful  
15 employment and, if so, the member may still be retired and the disability retirement allowance  
16 as a result thereof shall be reduced as in subsection (e) below. Provided further, that the  
17 medical board shall not certify any member as disabled who:

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

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

26 Supplemental disability benefits heretofore provided are hereby made a permanent part of  
27 disability benefits after age 65, and shall not be discontinued at age 65.

28 Notwithstanding the requirement of five or more years of creditable service to the contrary,  
29 a member who is a law-enforcement officer and who has had one year or more of creditable  
30 service and becomes incapacitated for duty as the natural and proximate result of an accident  
31 occurring while in the actual performance of duty, and meets all other requirements for  
32 disability retirement benefits, may be retired by the Board of Trustees on a disability retirement  
33 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 presents clear and convincing  
38 evidence that the beneficiary would have met all applicable requirements for disability  
39 retirement benefits while still in service as a member. The allowance on account of disability  
40 retirement benefits to the beneficiary shall be retroactive to the effective date of early or service  
41 retirement.

42 Notwithstanding the foregoing, the surviving designated beneficiary of a deceased member  
43 who met all other requirements for disability retirement benefits, except whose death occurred  
44 before the first day of the calendar month in which the member's disability retirement  
45 allowance was to be due and payable, may elect to receive the reduced retirement allowance  
46 provided by a fifty percent (50%) joint and survivor payment option in lieu of a return of  
47 accumulated contributions, provided the following conditions apply:

- 48 (1) The member had designated as the principal beneficiary, to receive a return  
49 of accumulated contributions at the time of his death, one and only one  
50 person, and

- (2) The member had not instructed the Board of Trustees in writing that he did not wish the provision of this subsection to apply."

**SECTION 3.(e)** G.S. 135-57(d) reads as rewritten:

"(d) Any member who was in service October 8, 1981, who had attained 50 years of age, may retire upon written application to the board of trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 90 120 days subsequent to the execution and filing thereof, he desires to be retired."

**SECTION 3.(f)** G.S. 135-59(a) reads as rewritten:

"(a) Upon application by or on behalf of the member, any member in service who has completed five or more years of creditable service and who has not attained his sixty-fifth birthday may be retired by the Board of Trustees, on the first day of any calendar month, not less than one day nor more than 90 120 days next following the date of filing such application, on a disability retirement allowance; provided, that the medical board, after a medical examination of such member, shall certify that such member is mentally or physically incapacitated for the further performance of duty, that such incapacity was incurred at the time of active employment and has been continuous thereafter, that such incapacity is likely to be permanent, and that such member should be retired; and, provided further, that if a member is removed by the Supreme Court for mental or physical incapacity under the provisions of G.S. 7A-376, no action is required by the medical board under this section and, provided further, the medical board shall determine if the member is able to engage in gainful employment and, if so, the member shall still be retired and the disability retirement allowance as a result thereof shall be reduced as in G.S. 135-60(d). Provided further, that the medical board shall not certify any member as disabled who:

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

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

Notwithstanding the foregoing to the contrary, any beneficiary who commenced retirement with an early or service retirement benefit has the right, within three years of this retirement, to convert to an allowance with disability retirement benefits without modification of any election of optional allowance previously made; provided, the beneficiary presents clear and convincing evidence that the beneficiary would have met all applicable requirements for disability retirement benefits while still in service as a member. The allowance on account of disability retirement benefits to the beneficiary shall be retroactive to the effective date of early or service retirement."

**SECTION 3.(g)** G.S. 128-24(4) reads as rewritten:

- "(4) The provisions of this subdivision (4) shall apply to any member whose retirement became effective prior to July 1, 1965, and became entitled to benefits hereunder in accordance with the provisions hereof. Such benefits shall be computed in accordance with the provisions of G.S. 128-27(b1) as in effect at the date of such separation from service.

- a. Notwithstanding any other provision of this Chapter, any member who separates from service prior to the time he shall have attained the age of 60 years, or if a uniformed policeman or fireman prior to the time he shall have attained the age of 55 years, for any reason other than death or retirement for disability as provided in G.S. 128-27(c), after completing 20 or more years of creditable

1 service, and who leaves his total accumulated contributions in the  
2 Retirement System, shall have the right to retire on a deferred  
3 retirement allowance upon the date he shall have attained the age of  
4 60 years, or if a uniformed policeman or fireman upon the date he  
5 shall have attained the age of 55 years; provided that such member  
6 may retire only upon written application to the Board of Trustees  
7 setting forth at what time, not less than 30 days nor more than ~~90~~ 120  
8 days next following the date of filing such application, he desires to  
9 be retired. Such deferred retirement allowance shall be computed in  
10 accordance with the provisions of G.S. 128-27(b), paragraphs (1), (2)  
11 and (3).

12 b. In lieu of the benefits provided in paragraph a of this subdivision (4),  
13 any member who separates from service prior to the time he shall  
14 have attained the age of 60 years, or if a uniformed policeman or  
15 fireman prior to the time he shall have attained the age of 55 years,  
16 for any reason other than death or retirement for disability as  
17 provided in G.S. 128-27(c), after completing 30 or more years of  
18 creditable service, and who leaves his total accumulated  
19 contributions in the Retirement System, may elect to retire on an  
20 early retirement allowance; provided that such a member may so  
21 retire only upon written application to the Board of Trustees setting  
22 forth at what time, not less than 30 days nor more than ~~90~~ 120 days  
23 next following the date of filing such application, he desires to be  
24 retired; provided further that such application shall be duly filed  
25 within 60 days following the date of such separation. Such early  
26 retirement allowance so elected shall be the actuarial equivalent of  
27 the deferred retirement allowance otherwise payable at the attainment  
28 of age 60 years, or if a uniformed policeman or fireman at the  
29 attainment of age 55 years, upon proper application therefor.

30 c. Should an employee who retired on an early or service retirement  
31 allowance be restored to service prior to the time he shall have  
32 attained the age of 62 years, or if a uniformed policeman or fireman  
33 prior to the time he shall have attained the age of 55 years, his  
34 allowance shall cease, he shall again become a member of the  
35 Retirement System, and he shall contribute thereafter at the uniform  
36 contribution rate for his class member. Upon his subsequent  
37 retirement, he shall be entitled to an allowance not less than the  
38 allowance described in 1 below reduced by the amount in 2 below.

39 1. The allowance to which he would have been entitled if he  
40 were retiring for the first time, calculated on the basis of his  
41 total creditable service represented by the sum of his  
42 creditable service at the time of his first retirement, and his  
43 creditable service after he was restored to service.

44 2. The actuarial equivalent of the retirement benefits he  
45 previously received.

46 d. Should an employee who retired on an early or service retirement  
47 allowance be restored to service after the attainment of the age of 62  
48 years, his retirement allowance shall be reduced to the extent  
49 necessary (if any) so that the sum of the retirement allowance at the  
50 time of retirement and earnings from employment by a unit of the  
51 Retirement System for any year (beginning January 1 and ending



December 31) will not exceed the member's compensation received for the 12 months of service prior to retirement. Provided, however, that under no circumstances will the member's retirement allowance be reduced below the amount of his annuity as defined in G.S. 128-21(3)."

**SECTION 3.(h)** G.S. 128-24(5) reads as rewritten:

"(5) The provisions of this subdivision (5) shall apply to any member whose membership is terminated on or after July 1, 1965, and who becomes entitled to benefits hereunder in accordance with the provisions hereof.

a. Notwithstanding any other provision of this Chapter, any member who separates from service prior to the attainment of the age of 60 years for any reason other than death or retirement for disability as provided in G.S. 128-27(c), after completing 15 or more years of creditable service, and who leaves his total accumulated contributions in said System shall have the right to retire on a deferred retirement allowance upon attaining the age of 60 years; provided that such member may retire only upon written application to the Board of Trustees setting forth at what time, not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to be retired; and further provided that in the case of a member who so separates from service on or after July 1, 1967, the aforesated requirement of 15 or more years of creditable service shall be reduced to 12 or more years of creditable service; and further provided that in the case of a member who so separates from service on or after July 1, 1971, or whose account is active on July 1, 1971, the aforesated requirement of 12 or more years of creditable service shall be reduced to five or more years of creditable service. Such deferred retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to a member who is not a law enforcement officer or eligible former law enforcement officer.

b. In lieu of the benefits provided in paragraph a of this subdivision, any member who separates from service prior to the attainment of the age of 60 years, for any reason other than death or retirement for disability as provided in G.S. 128-27(c), after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System may elect to retire on an early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided that such member may so retire only upon written application to the Board of Trustees setting forth at what time, not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to be retired. Such early retirement allowance so elected shall be equal to the deferred retirement allowance otherwise payable at the attainment of the age of 60 years reduced by the percentage thereof indicated below.

Age at Retirement	Percentage Reduction
59	7
58	14
57	20
56	25

1	55	30
2	54	35
3	53	39
4	52	43
5	51	46
6	50	50

b1. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer at the time of separation from service prior to the attainment of the age of 50 years, for any reason other than death or disability as provided in this Article, after completing 15 or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System, may elect to retire on a deferred early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided, that the member may commence retirement only upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred early retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law enforcement officers.

b2. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer at the time of separation from service prior to the attainment of the age of 55 years, for any reason other than death or disability as provided in this Article, after completing five or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System may elect to retire on a deferred service retirement allowance upon attaining the age of 55 years or at any time thereafter; provided, that the member may commence retirement only upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred service retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law enforcement officers.

b3. Deferred retirement allowance of members retiring on or after July 1, 1995. – In lieu of the benefits provided in paragraphs a. and b. of this subdivision, any member who separates from service prior to attainment of age 60 years, after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System, may elect to retire on a deferred retirement allowance upon attaining the age of 50 years or any time thereafter; provided that such member may so retire only upon written application to the Board of Trustees setting forth at what time, not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to be retired. Such deferred retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to a

1 member who is not a law enforcement officer or an eligible former  
2 law enforcement officer.

- 3 c. Should a beneficiary who retired on an early or service retirement  
4 allowance be reemployed by, or otherwise engaged to perform  
5 services for, an employer participating in the Retirement System on a  
6 part-time, temporary, interim, or on fee-for-service basis, whether  
7 contractual or otherwise, and if such beneficiary earns an amount  
8 during the 12-month period immediately following the effective date  
9 of retirement or in any calendar year which exceeds fifty percent  
10 (50%) of the reported compensation, excluding terminal payments,  
11 during the 12 months of service preceding the effective date of  
12 retirement, or twenty thousand dollars (\$20,000), whichever is  
13 greater, as hereinafter indexed, then the retirement allowance shall be  
14 suspended as of the first day of the month following the month in  
15 which the reemployment earnings exceed the amount above, for the  
16 balance of the calendar year, except when the reemployment earnings  
17 exceed the amount above in the month of December, in which case  
18 the retirement allowance shall not be suspended. The retirement  
19 allowance of the beneficiary shall be reinstated as of January 1 of  
20 each year following suspension. The amount that may be earned  
21 before suspension shall be increased on January 1 of each year by the  
22 ratio of the Consumer Price Index to the Index one year earlier,  
23 calculated to the nearest tenth of a percent (1/10 of 1%).

- 24 d. Should a beneficiary who retired on an early or service retirement  
25 allowance be restored to service as an employee, then the retirement  
26 allowance shall cease as of the first day of the month following the  
27 month in which the beneficiary is restored to service and the  
28 beneficiary shall become a member of the Retirement System and  
29 shall contribute thereafter as allowed by law at the uniform  
30 contribution payable by all members.

31 Upon his subsequent retirement, he shall be paid a retirement  
32 allowance determined as follows:

- 33 1. For a member who earns at least three years' membership  
34 service after restoration to service, the retirement allowance  
35 shall be computed on the basis of his compensation and  
36 service before and after the period of prior retirement without  
37 restriction; provided, that if the prior allowance was based on  
38 a social security leveling payment option, the allowance shall  
39 be adjusted actuarially for the difference between the amount  
40 received under the optional payment and what would have  
41 been paid if the retirement allowance had been paid without  
42 optional modification.
- 43 2. For a member who does not earn three years' membership  
44 service after restoration to service, the retirement allowance  
45 shall be equal to the sum of the retirement allowance to which  
46 he would have been entitled had he not been restored to  
47 service, without modification of the election of an optional  
48 allowance previously made, and the retirement allowance that  
49 results from service earned since being restored to service;  
50 provided, that if the prior retirement allowance was based on  
51 a social security leveling payment option, the prior allowance

shall be adjusted actuarially for the difference between the amount that would have been paid for each month had the payment not been suspended and what would have been paid if the retirement allowance had been paid without optional modification."

**SECTION 3.(i) G.S. 128-27(a) reads as rewritten:**

**"(a) Service Retirement Benefits. –**

(1) Any member may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired: Provided, that the said member at the time so specified for his retirement shall have attained the age of 60 years and have at least five years of creditable service or shall have completed 30 years of creditable service, or if a fireman, he shall have attained the age of 55 years and have at least five years of creditable service.

(2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.

(3) Repealed by Session Laws 1971, c. 325, s. 12.

(4) Any member who was in service October 8, 1981, who had attained 60 years of age, may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to be retired.

(5) Any member who is a law enforcement officer, and who attains age 50 and completes 15 or more years of creditable service in this capacity or who attains age 55 and completes five or more years of creditable service in this capacity, may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to be retired; provided, also, any member who has met the conditions required by this subdivision but does not retire, and later becomes an employee other than as a law enforcement officer, continues to have the right to commence retirement."

**SECTION 3.(j) G.S. 128-27(a1) reads as rewritten:**

**"(a1) Early Service Retirement Benefits. –** Any member may retire and receive a reduced retirement allowance upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than ~~90~~ 120 days subsequent to the execution and filing thereof, he desires to be retired: Provided, that the said member at the time so specified for his retirement shall have attained the age of 50 years and have at least 20 years of creditable service."

**SECTION 3.(k) G.S. 128-27(c) reads as rewritten:**

**"(c) Disability Retirement Benefits. –** Upon the application of a member or of his employer, any member who has had five or more years of creditable service may be retired by the Board of Trustees, on the first day of any calendar month, not less than one day nor more than ~~90~~ 120 days next following the date of filing such application, on a disability retirement allowance: Provided, that the medical board, after a medical examination of such member, shall certify that such member is mentally or physically incapacitated for the further performance of duty, that such incapacity was incurred at the time of active employment and has been continuous thereafter, that such incapacity is likely to be permanent, and that such member should be retired; Provided further the medical board shall determine if the member is able to engage in gainful employment and, if so, the member may still be retired and the disability

1 retirement allowance as a result thereof shall be reduced as in subsection (e) below. Provided  
2 further, that the Medical Board shall not certify any member as disabled who:

- 3 (1) Applies for disability retirement based upon a mental or physical incapacity  
4 which existed when the member first established membership in the system;  
5 or  
6 (2) Is in receipt of any payments on account of the same disability which existed  
7 when the member first established membership in the system.

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

11 Notwithstanding the requirement of five or more years of creditable service to the contrary,  
12 a member who is a law enforcement officer or a fireman as defined in G.S. 58-86-25 or rescue  
13 squad worker as defined in G.S. 58-86-30 and who has had one year or more of creditable  
14 service and becomes incapacitated for duty as the natural and proximate result of an accident  
15 occurring while in the actual performance of duty, and meets all other requirements for  
16 disability retirement benefits, may be retired by the Board of Trustees on a disability retirement  
17 allowance.

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

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

- 32 (1) The member had designated as the principal beneficiary, to receive a return  
33 of accumulated contributions at the time of his death, one and only one  
34 person, and  
35 (2) The member had not instructed the Board of Trustees in writing that he did  
36 not wish the provision of this subsection to apply."

37 **SECTION 3.(l)** G.S. 120-4.22(a) reads as rewritten:

38 "(a) Eligibility; Application. – Upon application by or on behalf of the member, any  
39 member in service who has completed at least five years of creditable service and who has not  
40 reached his 60th birthday may, after medical certification, be retired on a disability retirement  
41 allowance by the Board of Trustees on the first day of the particular calendar month designated  
42 by the applicant. The designated date shall be no less than one day nor more than 90 120 days  
43 from the filing of the application."

44 **SECTION 4.(a)** G.S. 128-32.1 reads as rewritten:

45 **"§ 128-32.1. Failure to respond.**

46 If a member fails to respond in any way within 90 days after preliminary option figures and  
47 ~~Form 6-E, Election of Benefits, the Form 6-E~~ are mailed, ~~the Form 6, Application for Service,~~  
48 ~~Early, or Disability Retirement, the Form 6~~ shall be null and void; the retirement system shall  
49 not be liable for any benefits due on account of the voided application, and a new application  
50 must be filed establishing a subsequent effective date of retirement. If an applicant for  
51 disability retirement fails to furnish requested additional medical information within 90 days

1 following such request, the application shall be declared null and void under the same  
2 conditions outlined above, unless the applicant is eligible for early or service retirement in  
3 which case the application shall be processed accordingly, using the same effective date as  
4 would have been used had the application for disability retirement been approved. The Director  
5 of the Retirement Systems Division, acting on behalf of the Board of Trustees, may extend the  
6 90-day limitation provided for in this section when a member has suffered incapacitation such  
7 that a reasonable person would not have expected the member to be able to complete the  
8 required paperwork within the regular deadline, or when an omission by the Retirement  
9 Systems Division prevents the member from having sufficient time to meet the regular  
10 deadline."

11 **SECTION 4.(b)** G.S. 135-10.1 reads as rewritten:

12 **"§ 135-10.1. Failure to respond.**

13 If a member fails to respond in any way within 90 days after preliminary option figures and  
14 ~~Form 6-E, Election of Benefits, the Form 6-E~~ are mailed, ~~the Form 6, Application for Service,~~  
15 ~~Early or Disability Retirement, the Form 6~~ shall be null and void; the retirement system shall  
16 not be liable for any benefits due on account of the voided application, and a new application  
17 must be filed establishing a subsequent effective date of retirement. If an applicant for  
18 disability retirement fails to furnish requested additional medical information within 90 days  
19 following such request, the application shall be declared null and void under the same  
20 conditions outlined above, unless the applicant is eligible for early or service retirement in  
21 which case the application shall be processed accordingly, using the same effective date as  
22 would have been used had the application for disability retirement been approved. The Director  
23 of the Retirement Systems Division, acting on behalf of the Board of Trustees, may extend the  
24 90-day limitation provided for in this section when a member has suffered incapacitation such  
25 that a reasonable person would not have expected the member to be able to complete the  
26 required paperwork within the regular deadline, or when an omission by the Retirement  
27 Systems Division prevents the member from having sufficient time to meet the regular  
28 deadline."

29 **SECTION 5.(a)** G.S. 135-5(g) reads as rewritten:

30 "(g) Election of Optional Allowance. – With the provision that until the first payment on  
31 account of any benefit becomes normally due, or his first retirement check has been cashed,  
32 any member may elect to receive his benefits in a retirement allowance payable throughout life,  
33 or he may elect to receive the actuarial equivalent of such retirement allowance, including any  
34 special retirement allowance, in a reduced allowance payable throughout life under the  
35 provisions of one of the options set forth below. The election of Option 2 or Option 3 or  
36 nomination of the person thereunder shall be revoked if such person nominated dies prior to the  
37 date the first payment becomes normally due or until the first retirement check has been cashed.  
38 Such election may be revoked by the member prior to the date the first payment becomes  
39 normally due or until his first retirement check has been cashed. Provided, however, in the  
40 event a member has elected Option 2 or Option 3 and nominated his or her spouse to receive a  
41 retirement allowance upon the member's death, and the spouse predeceases the member after  
42 the first payment becomes normally due or the first retirement check has been cashed, if the  
43 member remarries he or she may request to nominate a new spouse to receive the retirement  
44 allowance under the previously elected option, within 90 days of the remarriage, and may  
45 nominate a new spouse to receive the retirement allowance under the previously elected option  
46 by written designation duly acknowledged and filed with the Board of Trustees within 120 days  
47 of the remarriage. The new nomination shall be effective on the first day of the month in which  
48 it is made and shall provide for a retirement allowance computed to be the actuarial equivalent  
49 of the retirement allowance in effect immediately prior to the effective date of the new  
50 nomination. Any member having elected Options 2, 3, or 6 and nominated his or her spouse to  
51 receive a retirement allowance upon the member's death may, after divorce from his or her

1 spouse, revoke the nomination and elect a new option, effective on the first day of the month in  
2 which the new option is elected, providing for a retirement allowance computed to be the  
3 actuarial equivalent of the retirement allowance in effect immediately prior to the effective date  
4 of the new option.

5 Option 1.(a) In the Case of a Member Who Retires prior to July 1, 1963. – If he dies  
6 before he has received in annuity payments the present value of his annuity  
7 as it was at the time of his retirement, the balance shall be paid to his legal  
8 representatives or to such person as he shall nominate by written designation  
9 duly acknowledged and filed with the Board of Trustees.

10 (b) In the Case of a Member Who Retires on or after July 1, 1963, but prior to  
11 July 1, 1993. – If he dies within 10 years from his retirement date, an amount  
12 equal to his accumulated contributions at retirement, less 1/120 thereof for  
13 each month for which he has received a retirement allowance payment, shall  
14 be paid to his legal representatives or to such person as he shall nominate by  
15 written designation duly acknowledged and filed with the Board of Trustees;  
16 or

17 Option 2. Upon his death his reduced retirement allowance shall be continued throughout  
18 the life of and paid to such person as he shall nominate by written designation duly  
19 acknowledged and filed with the Board of Trustees at the time of his retirement, provided that  
20 if the person selected is other than his spouse the reduced retirement allowance payable to the  
21 member shall not be less than one half of the retirement allowance without optional  
22 modification which would otherwise be payable to him; or

23 Option 3. Upon his death, one half of his reduced retirement allowance shall be continued  
24 throughout the life of, and paid to such person as he shall nominate by written designation duly  
25 acknowledged and filed with the Board of Trustees at the time of his retirement; or

26 Option 4. Adjustment of Retirement Allowance for Social Security Benefits. – Until the  
27 first payment on account of any benefit becomes normally due, any member may elect to  
28 convert his benefit otherwise payable on his account after retirement into a retirement  
29 allowance of equivalent actuarial value of such amount that with his benefit under Title II of  
30 the Federal Social Security Act, he will receive, so far as possible, approximately the same  
31 amount per year before and after the earliest age at which he becomes eligible, upon application  
32 therefor, to receive a social security benefit.

33 Option 5. For Members Retiring Prior to July 1, 1993. – The member may elect to receive a  
34 reduced retirement allowance under the conditions of Option 2 or Option 3, as provided for  
35 above, with the modification that if both he and the person nominated die within 10 years from  
36 his retirement date, an amount equal to his accumulated contributions at retirement, less 1/120  
37 thereof for each month for which a retirement allowance has been paid, shall be paid to his  
38 legal representatives or to such person as he shall nominate by written designation duly  
39 acknowledged and filed with the Board of Trustees.

40 Option 6. A member may elect either Option 2 or Option 3 with the added provision that in  
41 the event the designated beneficiary predeceases the member, the retirement allowance payable  
42 to the member after the designated beneficiary's death shall be equal to the retirement  
43 allowance which would have been payable had the member not elected the option.

44 Upon the death of a member after the effective date of a retirement for which the member  
45 has been approved and following receipt by the Board of Trustees of an election of benefits but  
46 prior to the cashing of the first benefit check, the retirement benefit shall be payable as  
47 provided by the member's election of benefits under this subsection.

48 Upon the death of a member after the effective date of a retirement for which the member  
49 has been approved but prior to the receipt by the Board of Trustees of an election of benefits  
50 (Form 6-E or Form 7-E), properly acknowledged and filed by the member, the member's  
51 designated beneficiary for a return of accumulated contributions may elect to receive the

benefit, if only one beneficiary is named for the return of accumulated contributions. If more than one beneficiary is named for the return of accumulated contributions, the administrator or executor of the member's estate will select an option and name the beneficiary or beneficiaries."

**SECTION 5.(b) G.S. 135-5(g1) reads as rewritten:**

"(g1) In the event of the death of a retired member while in receipt of a retirement allowance under the provisions of this Article, there shall be paid to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions of the retiree at the date of retirement over the total of the retirement allowances paid prior to the death of the retiree. For purposes of this paragraph, the term "accumulated contributions" includes amounts of employee voluntary contributions that were transferred from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible law enforcement officers.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the retirement allowances paid to the retiree and the designated survivor combined equals the amount of the accumulated contributions of the retiree at the date of retirement, the excess, if any, of such accumulated contributions over the total of the retirement allowances paid to the retiree and the survivor combined shall be paid in a lump sum to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time such payment falls due, otherwise to the retiree's legal representative. For purposes of this paragraph, the term "accumulated contributions" includes amounts of employee voluntary contributions that were transferred from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible law enforcement officers.

In the event that a retirement allowance becomes payable to the principal beneficiary designated to receive a return of accumulated contributions pursuant to subsection (m) of this section and that beneficiary dies before the total of the retirement allowances paid equals the amount of the accumulated contributions of the member at the date of the member's death, the excess of those accumulated contributions over the total of the retirement allowances paid to the beneficiary shall be paid in a lump sum to the person or persons the member has designated as the contingent beneficiary for return of accumulated contributions, if the person or persons are living at the time the payment falls due, otherwise to the principal beneficiary's legal representative. For purposes of this paragraph, the term "accumulated contributions" includes amounts of employee voluntary contributions that were transferred from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible law enforcement officers.

In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be paid to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if any, of the cost of the creditable service purchased less the administrative fee, if any, over the total of the increase in the retirement allowance attributable to the additional creditable service, paid from the month following the month in which payment was received to the death of the retiree.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the increase in the retirement allowance attributable to the additional creditable service paid to the retiree and the designated



1 survivor combined equals the cost of the creditable service purchased less the administrative  
2 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
3 have nominated by written designation duly acknowledged and filed with the Board of  
4 Trustees, if such person or persons are living at the time such payment falls due, otherwise to  
5 the retiree's legal representative.

6 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
7 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
8 the member's estate."

9 **SECTION 5.(c)** G.S. 135-5(m) reads as rewritten:

10 "(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the principal  
11 beneficiary designated to receive a return of accumulated contributions shall have the right to  
12 elect to receive in lieu thereof the reduced retirement allowance provided by Option 2 of  
13 subsection (g) above computed by assuming that the member had retired on the first day of the  
14 month following the date of his death, provided that the following conditions apply:

- 15 (1) a. The member had attained such age and/or creditable service to be  
16 eligible to commence retirement with an early or service retirement  
17 allowance,  
18 b. The member had obtained 20 years of creditable service in which  
19 case the retirement allowance shall be computed in accordance with  
20 G.S. 135-5(b19)(1)b. or G.S. 135-5(b19)(2)c., notwithstanding the  
21 requirement of obtaining age 50, or  
22 c. The member had not commenced to receive a retirement allowance  
23 as provided under this Chapter.  
24 (2) The member had designated as the principal beneficiary to receive a return  
25 of his accumulated contributions one and only one person who was living at  
26 the time of his death.  
27 (3) The member had not instructed the Board of Trustees in writing that he did  
28 not wish the provisions of this subsection to apply.

29 For the purpose of this benefit, a member is considered to be in service at the date of his  
30 death if his death occurs within 180 days from the last day of his actual service. The last day of  
31 actual service shall be determined as provided in subsection (l) of this section. Upon the death  
32 of a member in service, the surviving spouse may make all purchases for creditable service as  
33 provided for under this Chapter for which the member had made application in writing prior to  
34 the date of death, provided that the date of death occurred prior to or within 60 days after  
35 notification of the cost to make the purchase. The term "in service" as used in this subsection  
36 includes a member in receipt of a benefit under the Disability Income Plan as provided in  
37 Article 6 of this Chapter.

38 Notwithstanding the foregoing, a member who is in receipt of Workers' Compensation  
39 during the period for which the member would have otherwise been eligible to receive  
40 short-term benefits, as provided in G.S. 135-105, and who dies on or after 181 days from the  
41 last day of the member's actual service but on or before the date the benefits as provided in  
42 G.S. 135-105 would have ended, shall be considered in service at the time of the member's  
43 death for the purpose of this benefit.

44 For the purpose of calculating this benefit, any terminal payouts made after the date of  
45 death that meet the definition of compensation shall be credited to the month prior to the month  
46 of death. These terminal payouts do not include salary or wages paid for work performed  
47 during the month of death."

48 **SECTION 5.(d)** G.S. 128-27(g) reads as rewritten:

49 "(g) Election of Optional Allowance. – With the provision that until the first payment on  
50 account of any benefit becomes normally due, or his first retirement check has been cashed,  
51 any member may elect to receive his benefits in a retirement allowance payable throughout life,

1 or he may elect to receive the actuarial equivalent of such retirement allowance, including any  
2 special retirement allowance, in a reduced allowance payable throughout life under the  
3 provisions of one of the Options set forth below. The election of Option two or Option three or  
4 nomination of the person thereunder shall be revoked if such person nominated dies prior to the  
5 date the first payment becomes normally due or the first retirement check has been cashed.  
6 Such election may be revoked by the member prior to the date the first payment becomes  
7 normally due or his first retirement check has been cashed. Provided, however, in the event a  
8 member has elected Option 2 or Option 3 and nominated his or her spouse to receive a  
9 retirement allowance upon the member's death, and the spouse predeceases the member after  
10 the first payment becomes normally due or the first retirement check has been cashed, if the  
11 member remarries he or she may request to nominate a new spouse to receive the retirement  
12 allowance under the previously elected option, within 90 days of the remarriage, and may  
13 nominate a new spouse to receive the retirement allowance under the previously elected option  
14 by written designation duly acknowledged and filed with the Board of Trustees within 120 days  
15 of the remarriage. The new nomination shall be effective on the first day of the month in which  
16 it is made and shall provide for a retirement allowance computed to be the actuarial equivalent  
17 of the retirement allowance in effect immediately prior to the effective date of the new  
18 nomination. Any member having elected Options two, three, or six and nominated his or her  
19 spouse to receive a retirement allowance upon the member's death may, after divorce from his  
20 or her spouse, revoke the nomination and elect a new option, effective on the first day of the  
21 month in which the new option is elected, providing for a retirement allowance computed to be  
22 the actuarial equivalent of the retirement allowance in effect immediately prior to the effective  
23 date of the new option.

24 Option one.

- 25 (a) In the Case of a Member Who Retires prior to July 1, 1965. – If he dies  
26 before he has received in annuity payments the present value of his annuity  
27 as it was at the time of his retirement, the balance shall be paid to such  
28 person as he shall nominate by written designation duly acknowledged and  
29 filed with the Board of Trustees or, if none, to his legal representative.
- 30 (b) In the Case of a Member Who Retires on or after July 1, 1965, but prior to  
31 July 1, 1993. – If he dies within 10 years from his retirement date, an amount  
32 equal to his accumulated contributions at retirement, less one  
33 one-hundred-twentieth thereof for each month for which he has received a  
34 retirement allowance payment, shall be paid to such person as he shall  
35 nominate by written designation duly acknowledged and filed with the  
36 Board of Trustees or, if none, to his legal representative; or

37 Option two. Upon his death his reduced retirement allowance shall be continued throughout  
38 the life of and paid to such person as he shall nominate by written designation duly  
39 acknowledged and filed with the Board of Trustees at the time of his retirement, provided that  
40 if the person selected is other than his spouse the reduced retirement allowance payable to the  
41 member shall not be less than one half of the retirement allowance without optional  
42 modification which would otherwise be payable to him; or.

43 Option three. Upon his death, one half of his reduced retirement allowance shall be  
44 continued throughout the life of, and paid to such person as he shall nominate by written  
45 designation duly acknowledged and filed with the Board of Trustees at the time of his  
46 retirement; or

47 Option four. Adjustment of Retirement Allowance for Social Security Benefits. – Until the  
48 first payment on account of any benefit becomes normally due, any member may elect to  
49 convert his benefit otherwise payable on his account after retirement into a retirement  
50 allowance of equivalent actuarial value of such amount that with his benefit under Table-Title  
51 II of the Federal Social Security Act, he will receive, so far as possible, approximately the same

1 amount per year before and after the earliest age at which he becomes eligible, upon application  
2 therefor, to receive a social security benefit.

3 Option five. For Members Retiring prior to July 1, 1993. – The member may elect to  
4 receive a reduced retirement allowance under the conditions of Option two or Option three, as  
5 provided for above, with the modification that if both he and the person nominated die within  
6 10 years from his retirement date, an amount equal to his accumulated contributions at  
7 retirement, less 1/120th thereof for each month for which a retirement allowance has been paid,  
8 shall be paid to his legal representatives or to such person as he shall nominate by written  
9 designation duly acknowledged and filed with the Board of Trustees.

10 Option six. A member may elect either Option two or Option three with the added provision  
11 that in the event the designated beneficiary predeceases the member, the retirement allowance  
12 payable to the member after the designated beneficiary's death shall be equal to the retirement  
13 allowance which would have been payable had the member not elected the option.

14 Upon the death of a member after the effective date of a retirement for which the member  
15 has been approved and following receipt by the Board of Trustees of an election of benefits but  
16 prior to the cashing of the first benefit check, the retirement benefit shall be payable as  
17 provided by the member's election of benefits under this subsection.

18 Upon the death of a member after the effective date of a retirement for which the member  
19 has been approved but prior to the receipt by the Board of Trustees of an election of benefits  
20 (Form 6-E or Form 7-E), properly acknowledged and filed by the member, the member's  
21 designated beneficiary for a return of accumulated contributions may elect to receive the  
22 benefit, if only one beneficiary is named for the return of accumulated contributions. If more  
23 than one beneficiary is named for the return of accumulated contributions, the administrator or  
24 executor of the member's estate will select an option and name the beneficiary or beneficiaries."

25 **SECTION 5.(e)** G.S. 128-27(g1) reads as rewritten:

26 "(g1) In the event of the death of a retired member while in receipt of a retirement  
27 allowance under the provisions of this Article, there shall be paid to such person or persons as  
28 the retiree shall have nominated by written designation duly acknowledged and filed with the  
29 Board of Trustees, if such person or persons are living at the time of the retiree's death,  
30 otherwise to the retiree's legal representatives, a death benefit equal to the excess, if any, of the  
31 accumulated contributions of the retiree at the date of retirement over the total of the retirement  
32 allowances paid prior to the death of the retiree. For purposes of this paragraph, the term  
33 "accumulated contributions" includes amounts of employee voluntary contributions that were  
34 transferred from the Supplemental Retirement Income Plan of North Carolina to this  
35 Retirement System at retirement by eligible law enforcement officers.

36 In the event that a retirement allowance becomes payable to the designated survivor of a  
37 retired member under the provisions above and such retirement allowance to the survivor shall  
38 terminate upon the death of the survivor before the total of the retirement allowances paid to  
39 the retiree and the designated survivor combined equals the amount of the accumulated  
40 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
41 contributions over the total of the retirement allowances paid to the retiree and the survivor  
42 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
43 nominated by written designation duly acknowledged and filed with the Board of Trustees, if  
44 such person or persons are living at the time such payment falls due, otherwise to the retiree's  
45 legal representative. For purposes of this paragraph, the term "accumulated contributions"  
46 includes amounts of employee voluntary contributions that were transferred from the  
47 Supplemental Retirement Income Plan of North Carolina to this Retirement System at  
48 retirement by eligible law enforcement officers.

49 In the event that a retirement allowance becomes payable to the principal beneficiary  
50 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
51 section and that beneficiary dies before the total of the retirement allowances paid equals the

1 amount of the accumulated contributions of the member at the date of the member's death, the  
2 excess of those accumulated contributions over the total of the retirement allowances paid to  
3 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
4 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
5 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
6 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
7 amounts of employee voluntary contributions that were transferred from the Supplemental  
8 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
9 law enforcement officers.

10 In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be  
11 paid to such person or persons as the retiree shall have nominated by written designation duly  
12 acknowledged and filed with the Board of Trustees, if such person or persons are living at the  
13 time of the retiree's death, otherwise to the retiree's legal representatives, an additional death  
14 benefit equal to the excess, if any, of the cost of the creditable service purchased less the  
15 administrative fee, if any, over the total of the increase in the retirement allowance attributable  
16 to the additional creditable service, paid from the month following the month in which payment  
17 was received to the death of the retiree.

18 In the event that a retirement allowance becomes payable to the designated survivor of a  
19 retired member under the provisions above, and such retirement allowance to the survivor shall  
20 terminate upon the death of the survivor before the total of the increase in the retirement  
21 allowance attributable to the additional creditable service paid to the retiree and the designated  
22 survivor combined equals the cost of the creditable service purchased less the administrative  
23 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
24 have nominated by written designation duly acknowledged and filed with the Board of  
25 Trustees, if such person or persons are living at the time such payment falls due, otherwise to  
26 the retiree's legal representative.

27 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
28 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
29 the member's estate."

30 **SECTION 5.(f)** G.S. 128-27(m) reads as rewritten:

31 "(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the principal  
32 beneficiary designated to receive a return of accumulated contributions shall have the right to  
33 elect to receive in lieu thereof the reduced retirement allowance provided by Option two of  
34 subsection (g) above computed by assuming that the member had retired on the first day of the  
35 month following the date of his death, provided that all three of the following conditions apply:

- 36 (1) a. The member had attained such age and/or creditable service to be  
37 eligible to commence retirement with an early or service retirement  
38 allowance, or
- 39 b. The member had obtained 20 years of creditable service in which  
40 case the retirement allowance shall be computed in accordance with  
41 G.S. 128-27(b21)(1)b. or G.S. 128-27(b21)(2)c., notwithstanding the  
42 requirement of obtaining age 50, or
- 43 c. The member had not commenced to receive a retirement allowance  
44 as provided under this Chapter.
- 45 (2) The member had designated as the principal beneficiary to receive a return  
46 of his accumulated contributions one and only one person who is living at  
47 the time of his death.
- 48 (3) The member had not instructed the Board of Trustees in writing that he did  
49 not wish the provisions of this subsection apply.

50 For the purpose of this benefit, a member is considered to be in service at the date of his  
51 death if his death occurs within 180 days from the last day of his actual service. The last day of

1 actual service shall be determined as provided in subsection (l) of this section. Upon the death  
2 of a member in service, the surviving spouse may make all purchases for creditable service as  
3 provided for under this Chapter for which the member had made application in writing prior to  
4 the date of death, provided that the date of death occurred prior to or within 60 days after  
5 notification of the cost to make the purchase.

6 For the purpose of calculating this benefit, any terminal payouts made after the date of  
7 death that meet the definition of compensation shall be credited to the month prior to the month  
8 of death. These terminal payouts do not include salary or wages paid for work performed  
9 during the month of death."

10 **SECTION 6.(a)** G.S. 135-5(l) reads as rewritten:

11 "(l) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan  
12 (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is  
13 separate and apart from the Retirement System and under which the members of the Retirement  
14 System shall participate and be eligible for group life insurance benefits. Upon receipt of proof,  
15 satisfactory to the Board of Trustees in their capacity as trustees under the Group Life  
16 Insurance Plan, of the death, in service, of a member who had completed at least one full  
17 calendar year of membership in the Retirement System, there shall be paid to such person as he  
18 shall have nominated by written designation duly acknowledged and filed with the Board of  
19 Trustees, if such person is living at the time of the member's death, otherwise to the member's  
20 legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

21 (1) The compensation on which contributions were made by the member during  
22 the calendar year preceding the year in which his death occurs, or

23 (2) The greatest compensation on which contributions were made by the  
24 member during a 12-month period of service within the 24-month period of  
25 service ending on the last day of the month preceding the month in which his  
26 last day of actual service occurs;

27 (3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2.  
28 subject to a minimum of twenty-five thousand dollars (\$25,000) and to a maximum of fifty  
29 thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the  
30 payment of the member's accumulated contributions under the System on his death pursuant to  
31 the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be  
32 deemed to be in service at the date of his death if his death occurs within 180 days from the last  
33 day of his actual service.

34 The death benefit provided in this subsection (l) shall not be payable, notwithstanding the  
35 member's compliance with all the conditions set forth in the preceding paragraph, if his death  
36 occurs

37 (1) After December 31, 1968 and after he has attained age 70; or

38 (2) After December 31, 1969 and after he has attained age 69; or

39 (3) After December 31, 1970 and after he has attained age 68; or

40 (4) After December 31, 1971 and after he has attained age 67; or

41 (5) After December 31, 1972 and after he has attained age 66; or

42 (6) After December 31, 1973 and after he has attained age 65; or

43 (7) After December 31, 1978, but before January 1, 1987, and after he has  
44 attained age 70.

45 Notwithstanding the above provisions, the death benefit shall be payable on account of the  
46 death of any member who died or dies on or after January 1, 1974, but before January 1, 1979,  
47 after attaining age 65, if he or she had not yet attained age 65, if he or she had not yet attained  
48 age 66, was at the time of death completing the work year for those individuals under specific  
49 contract, or during the fiscal year for those individuals not under specific contract, in which he  
50 or she attained 65, and otherwise met all conditions for payment of the death benefit.

1 Notwithstanding the above provisions, the Board of Trustees may and is specifically  
2 authorized to provide the death benefit according to the terms and conditions otherwise  
3 appearing in this Plan in the form of group life insurance, either (i) by purchasing a contract or  
4 contracts of group life insurance with any life insurance company or companies licensed and  
5 authorized to transact business in this State for the purpose of insuring the lives of members in  
6 service, or (ii) by establishing a separate trust fund qualified under Section 501(c)(9) of the  
7 Internal Revenue Code of 1954, as amended, for such purpose. To that end the Board of  
8 Trustees is authorized, empowered and directed to investigate the desirability of utilizing group  
9 life insurance by either of the foregoing methods for the purpose of providing the death benefit.  
10 If a separate trust fund is established, it shall be operated in accordance with rules and  
11 regulations adopted by the Board of Trustees and all investment earnings on the trust fund shall  
12 be credited to such fund.

13 In administration of the death benefit the following shall apply:

- 14 (1) For the purpose of determining eligibility only, in this subsection "calendar  
15 year" shall mean any period of 12 consecutive months or, if less, the period  
16 covered by an annual contract of employment. For all other purposes in this  
17 subsection "calendar year" shall mean the 12 months beginning January 1  
18 and ending December 31.
- 19 (2) Last day of actual service shall be:
- 20 a. When employment has been terminated, the last day the member  
21 actually worked.
- 22 b. When employment has not been terminated, the date on which an  
23 absent member's sick and annual leave expire, unless he is on  
24 approved leave of absence and is in service under the provisions of  
25 G.S. 135-4(h).
- 26 c. When a participant's employment is interrupted by reason of service  
27 in the Uniformed Services, as that term is defined in section 4303(16)  
28 of the Uniformed Services Employment and Reemployment Rights  
29 Act, Public Law 103-353, and the participant does not return  
30 immediately after that service to employment with a covered  
31 employer in this System, the date on which the participant was first  
32 eligible to be separated or released from his or her involuntary  
33 military service.
- 34 (3) For a period when a member is on leave of absence, his status with respect to  
35 the death benefit will be determined by the provisions of G.S. 135-4(h).
- 36 (4) A member on leave of absence from his position as a teacher or State  
37 employee for the purpose of serving as a member or officer of the General  
38 Assembly shall be deemed to be in service during sessions of the General  
39 Assembly and thereby covered by the provisions of the death benefit. The  
40 amount of the death benefit for such member shall be the equivalent of the  
41 salary to which the member would have been entitled as a teacher or State  
42 employee during the 12-month period immediately prior to the month in  
43 which death occurred, not to be less than twenty-five thousand dollars  
44 (\$25,000) nor to exceed fifty thousand dollars (\$50,000).

45 The provisions of the Retirement System pertaining to Administration, G.S. 135-6, and  
46 management of funds, G.S. 135-7, are hereby made applicable to the Plan.

47 A member who is a beneficiary of the Disability Income Plan provided for in Article 6 of  
48 this Chapter, or a member who is in receipt of Workers' Compensation during the period for  
49 which he or she would have otherwise been eligible to receive short-term benefits as provided  
50 in G.S. 135-105 and dies on or after 181 days from the last day of his or her actual service but  
51 prior to the date the benefits as provided in G.S. 135-105 would have ended, shall be eligible

1 for group life insurance benefits as provided in this subsection, notwithstanding that the  
2 member is no longer an employee or teacher or that the member's death occurs after the  
3 eligibility period after active service. The basis of the death benefit payable hereunder shall be  
4 the higher of the death benefit computed as above or a death benefit based on compensation  
5 used in computing the benefit payable under G.S. 135-105 and G.S. 135-106, as may be  
6 adjusted for percentage post-disability increases, all subject to the maximum dollar limitation  
7 as provided above. A member in receipt of benefits from the Disability Income Plan under the  
8 provisions of G.S. 135-112 whose right to a benefit accrued under the former Disability Salary  
9 Continuation Plan shall not be covered under the provisions of this paragraph.

10 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
11 subsection, of the death of a retired member of the Retirement System on or after July 1, 1988,  
12 but before January 1, 1999, there shall be paid a death benefit to the surviving spouse of the  
13 deceased retired member or to the deceased retired member's legal representative if not  
14 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
15 has continuously made, in advance of his death required contributions as determined by the  
16 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
17 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
18 administered by the Board of Trustees separate and apart from the Retirement System's  
19 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum  
20 payment in the amount of five thousand dollars (\$5,000) upon the completion of twenty-four  
21 months of contributions required under this subsection. Should death occur before the  
22 completion of twenty-four months of contributions required under this subsection, the deceased  
23 retired member's surviving spouse or legal representative if not survived by a spouse shall be  
24 paid the sum of the retired member's contributions required by this subsection plus interest to  
25 be determined by the Board of Trustees.

26 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
27 subsection, of the death of a retired member of the Retirement System on or after January 1,  
28 1999, but before July 1, 2004, there shall be paid a death benefit to the surviving spouse of the  
29 deceased retired member or to the deceased retired member's legal representative if not  
30 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
31 has continuously made, in advance of his death required contributions as determined by the  
32 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
33 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
34 administered by the Board of Trustees separate and apart from the Retirement System's  
35 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum  
36 payment in the amount of six thousand dollars (\$6,000) upon the completion of 24 months of  
37 contributions required under this subsection. Should death occur before the completion of 24  
38 months of contributions required under this subsection, the deceased retired member's surviving  
39 spouse or legal representative if not survived by a spouse shall be paid the sum of the retired  
40 member's contributions required by this subsection plus interest to be determined by the Board  
41 of Trustees.

42 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
43 subsection, of the death of a retired member of the Retirement System on or after July 1, 2004,  
44 but before July 1, 2007, there shall be paid a death benefit to the surviving spouse of the  
45 deceased retired member or to the deceased retired member's legal representative if not  
46 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
47 has continuously made, in advance of his death required contributions as determined by the  
48 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
49 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
50 administered by the Board of Trustees Fund and Pension Accumulation Fund. This death  
51 benefit shall be a lump-sum payment in the amount of nine thousand dollars (\$9,000) upon the

1 completion of 24 months of contributions required under this subsection. Should death occur  
2 before the completion of 24 months of contributions required under this subsection, the  
3 deceased retired member's surviving spouse or legal representative if not survived by a spouse  
4 shall be paid the sum of the retired member's contributions required by this subsection plus  
5 interest to be determined by the Board of Trustees.

6 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
7 subsection, of the death of a retired member of the Retirement System on or after July 1, 2007,  
8 there shall be paid a death benefit to the surviving spouse of the deceased retired member or to  
9 the deceased retired member's legal representative if not survived by a spouse; provided the  
10 retired member has elected, when first eligible, to make, and has continuously made, in  
11 advance of his death required contributions as determined by the Board of Trustees on a fully  
12 contributory basis, through retirement allowance deductions or other methods adopted by the  
13 Board of Trustees, to a group death benefit trust fund administered by the Board of Trustees  
14 Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the  
15 amount of ten thousand dollars (\$10,000) upon the completion of 24 months of contributions  
16 required under this subsection. Should death occur before the completion of 24 months of  
17 contributions required under this subsection, the deceased retired member's surviving spouse or  
18 legal representative if not survived by a spouse shall be paid the sum of the retired member's  
19 contributions required by this subsection plus interest to be determined by the Board of  
20 Trustees."

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

22 "(l) Death Benefit Plan. – The provisions of this subsection shall become effective for  
23 any employer only after an agreement to that effect has been executed by the employer and the  
24 Director of the Retirement System. There is hereby created a Group Life Insurance Plan  
25 (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is  
26 separate and apart from the Retirement System and under which the members of the Retirement  
27 System shall participate and be eligible for group life insurance benefits. Upon receipt of proof,  
28 satisfactory to the Board of Trustees in their capacity as trustees under the Group Life  
29 Insurance Plan, of the death, in service, of a member who had completed at least one full  
30 calendar year of membership in the Retirement System, there shall be paid to such person as he  
31 shall have nominated by written designation duly acknowledged and filed with the Board of  
32 Trustees, if such person is living at the time of the member's death, otherwise to the member's  
33 legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

- 34 (1) The compensation on which contributions were made by the member during  
35 the calendar year preceding the year in which his death occurs, or  
36 (2) The greatest compensation on which contributions were made by the  
37 member during a 12-month period of service within the 24-month period of  
38 service ending on the last day of the month preceding the month in which his  
39 last day of actual service occurs;

40 (3) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2;  
41 subject to a minimum of twenty-five thousand dollars (\$25,000) and a maximum of fifty  
42 thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the  
43 payment of the member's accumulated contributions under the System on his death pursuant to  
44 the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be  
45 deemed to be in service at the date of his death if his death occurs within 180 days from the last  
46 day of his actual service.

47 The death benefit provided in this subsection shall not be payable, notwithstanding the  
48 member's compliance with all the conditions set forth in the preceding paragraph, if his death  
49 occurs

- 50 (1) After June 30, 1969 and after he has attained age 70; or  
51 (2) After December 31, 1969 and after he has attained age 69; or



- (3) After December 31, 1970 and after he has attained age 68; or
- (4) After December 31, 1971 and after he has attained age 67; or
- (5) After December 31, 1972 and after he has attained age 66; or
- (6) After December 31, 1973 and after he has attained age 65; or
- (7) After December 31, 1978, but before January 1, 1987, and after he has attained age 70.

Notwithstanding the above provisions, the death benefit shall be payable on account of the death of any member who died or dies on or after January 1, 1974, but before January 1, 1979, after attaining age 65, if he or she had not yet attained age 65, if he or she had not yet attained age 66, was at the time of death completing the work year for those individuals under specific contract, or during the fiscal year for those individuals not under specific contract, in which he or she attained age 65, and otherwise met all conditions for payment of the death benefit.

Notwithstanding the above provisions, the Board of Trustees may and is specifically authorized to provide the death benefit according to the terms and conditions otherwise appearing in this Plan in the form of group life insurance, either (i) by purchasing a contract or contracts of group life insurance with any life insurance company or companies licensed and authorized to transact business in this State for the purpose of insuring the lives of members in service, or (ii) by establishing a separate trust fund qualified under section 501(c)(9) of the Internal Revenue Code of 1954, as amended, for such purpose. To that end the Board of Trustees is authorized, empowered and directed to investigate the desirability of utilizing group life insurance by either of the foregoing methods for the purpose of providing the death benefit. If a separate trust fund is established, it shall be operated in accordance with rules and regulations adopted by the Board of Trustees and all investment earnings on the trust fund shall be credited to such fund.

In administration of the death benefit the following shall apply:

- (1) For the purpose of determining eligibility only, in this subsection "calendar year" shall mean any period of 12 consecutive months. For all other purposes in this subsection "calendar year" shall mean the 12 months beginning January 1 and ending December 31.
- (2) Last day of actual service shall be:
  - a. When employment has been terminated, the last day the member actually worked.
  - b. When employment has not been terminated, the date on which an absent member's sick and annual leave expire.
  - c. When a participant's employment is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, and the participant does not return immediately after that service to employment with a covered employer in this System, the date on which the participant was first eligible to be separated or released from his or her involuntary military service.
- (3) For a period when a member is on leave of absence, his status with respect to the death benefit will be determined by the provisions of G.S. 128-26(g).
- (4) A member on leave of absence from his position as a local governmental employee for the purpose of serving as a member or officer of the General Assembly shall be deemed to be in service during sessions of the General Assembly and thereby covered by the provisions of the death benefit, if applicable. The amount of the death benefit for such member shall be the equivalent of the salary to which the member would have been entitled as a local governmental employee during the 12-month period immediately prior

1 to the month in which death occurred, not to be less than twenty-five  
2 thousand dollars (\$25,000) nor to exceed fifty thousand dollars (\$50,000).

3 The provisions of the Retirement System pertaining to administration, G.S. 128-28, and  
4 management of funds, G.S. 128-29, are hereby made applicable to the Plan."

5 **SECTION 6.(c)** G.S. 135-63 is amended by adding a new subsection to read:

6 "(e) For purposes of this subsection, a participant whose employment is interrupted by  
7 reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the  
8 Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, shall be  
9 deemed to be "in service" until the last day of such service in the Uniformed Services. If the  
10 participant does not return immediately after that service to employment with a covered  
11 employer in this System, then the participant shall be deemed "in service" until the date on  
12 which the participant was first eligible to be separated or released from his or her involuntary  
13 military service."

14 **SECTION 6.(d)** G.S. 120-4.27 reads as rewritten:

15 **"§ 120-4.27. Death benefit.**

16 The designated beneficiary of a member who dies while in service after completing one  
17 year of creditable service shall receive a lump-sum payment of an amount equal to the deceased  
18 member's highest annual salary, to a maximum of fifteen thousand dollars (\$15,000). For  
19 purposes of this death benefit "in service" means currently serving as a member of the North  
20 Carolina General Assembly. "In service" also means service in the Uniformed Services, as that  
21 term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment  
22 Rights Act, Public Law 103-353, if that service begins during the member's term of office. If  
23 the participant does not return immediately after that service to employment with a covered  
24 employer in this System, then the participant shall be deemed "in service" until the date on  
25 which the participant was first eligible to be separated or released from his or her involuntary  
26 military service.

27 The death benefit provided by this section shall be designated a group life insurance benefit  
28 payable under an employee welfare benefit plan that is separate and apart from the Retirement  
29 System but under which the members of the Retirement System shall participate and be eligible  
30 for group life insurance benefits. The Board of Trustees is authorized to provide the death  
31 benefit in the form of group life insurance either by purchasing a contract or contracts of group  
32 life insurance with any life insurance company or companies licensed and authorized to  
33 transact business in the State of North Carolina for the purpose of insuring the lives of qualified  
34 members in service, or by establishing or affiliating with a separate trust fund qualified under  
35 Section 501(c)(9) of the Internal Revenue Code of 1954, as amended.

36 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired  
37 member of the Retirement System or Retirement Fund on or after July 1, 1988, but before  
38 January 1, 1999, there shall be paid a death benefit to the surviving spouse of a deceased retired  
39 member, or to the deceased retired member's legal representative if not survived by a spouse;  
40 provided the retired member has elected, when first eligible, to make, and has continuously  
41 made, in advance of his death required contributions as determined by the Retirement System  
42 on a fully contributory basis, through retirement allowance deductions or other methods  
43 adopted by the Retirement System, to a group death benefit trust fund administered by the  
44 Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and  
45 Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of  
46 five thousand dollars (\$5,000) upon the completion of twenty-four months of contributions  
47 required under this subsection. Should death occur before the completion of twenty-four  
48 months of contributions required under this subsection, the deceased retired member's surviving  
49 spouse or legal representative if not survived by a spouse shall be paid the sum of the retired  
50 member's contributions required by this subsection plus interest to be determined by the Board  
51 of Trustees.

1 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired  
2 member of the Retirement System or Retirement Fund on or after January 1, 1999, but before  
3 July 1, 2004, there shall be paid a death benefit to the surviving spouse of a deceased retired  
4 member, or to the deceased retired member's legal representative if not survived by a spouse;  
5 provided the retired member has elected, when first eligible, to make, and has continuously  
6 made, in advance of his death required contributions as determined by the Retirement System  
7 on a fully contributory basis, through retirement allowance deductions or other methods  
8 adopted by the Retirement System, to a group death benefit trust fund administered by the  
9 Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and  
10 Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of  
11 six thousand dollars (\$6,000) upon the completion of 24 months of contributions required under  
12 this subsection. Should death occur before the completion of 24 months of contributions  
13 required under this subsection, the deceased retired member's surviving spouse or legal  
14 representative if not survived by a spouse shall be paid the sum of the retired member's  
15 contributions required by this subsection plus interest to be determined by the Board of  
16 Trustees.

17 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired  
18 member of the Retirement System or Retirement Fund on or after July 1, 2004, but before July  
19 1, 2007, there shall be paid a death benefit to the surviving spouse of a deceased retired  
20 member, or to the deceased retired member's legal representative if not survived by a spouse;  
21 provided the retired member has elected, when first eligible, to make, and has continuously  
22 made, in advance of his death required contributions as determined by the Retirement System  
23 on a fully contributory basis, through retirement allowance deductions or other methods  
24 adopted by the Retirement System, to a group death benefit trust fund administered by the  
25 Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and  
26 Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of  
27 nine thousand dollars (\$9,000) upon the completion of 24 months of contributions required  
28 under this subsection. Should death occur before the completion of 24 months of contributions  
29 required under this subsection, the deceased retired member's surviving spouse or legal  
30 representative if not survived by a spouse shall be paid the sum of the retired member's  
31 contributions required by this subsection plus interest to be determined by the Board of  
32 Trustees.

33 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired  
34 member of the Retirement System or Retirement Fund on or after July 1, 2007, there shall be  
35 paid a death benefit to the surviving spouse of a deceased retired member, or to the deceased  
36 retired member's legal representative if not survived by a spouse; provided the retired member  
37 has elected, when first eligible, to make, and has continuously made, in advance of his death  
38 required contributions as determined by the Retirement System on a fully contributory basis,  
39 through retirement allowance deductions or other methods adopted by the Retirement System,  
40 to a group death benefit trust fund administered by the Board of Trustees separate and apart  
41 from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This  
42 death benefit shall be a lump-sum payment in the amount of ten thousand dollars (\$10,000)  
43 upon the completion of 24 months of contributions required under this subsection. Should death  
44 occur before the completion of 24 months of contributions required under this subsection, the  
45 deceased retired member's surviving spouse or legal representative if not survived by a spouse  
46 shall be paid the sum of the retired member's contributions required by this subsection plus  
47 interest to be determined by the Board of Trustees."

48 **SECTION 6.(e)** G.S. 135-1(7a) reads as rewritten:

49 "(7a) a. "Compensation" shall mean all salaries and wages prior to any  
50 reduction pursuant to sections 125, 401(k), 403(b), 414(h)(2), and  
51 457 of the Internal Revenue Code, not including any terminal

1 payments for unused sick leave, derived from public funds which are  
2 earned by a member of the Retirement System for service as an  
3 employee or teacher in the unit of the Retirement System for which  
4 he is performing full-time work. In addition to the foregoing,  
5 "compensation" shall include:

- 6 1. Performance-based compensation (regardless of whether paid  
7 in a lump sum, in periodic installments, or on a monthly  
8 basis);
- 9 2. Conversion of additional benefits to salary (additional  
10 benefits such as health, life, or disability plans), so long as the  
11 benefits are other than mandated by State law or regulation;
- 12 3. Payment of tax consequences for benefits provided by the  
13 employer, so long as they constitute an adjustment or increase  
14 in salary and not a "reimbursement of expenses";
- 15 4. Payout of vacation leave so long as such payouts are  
16 permitted by applicable law and regulation; and
- 17 5. Employee contributions to eligible deferred compensation  
18 plans; plans; and
- 19 6. Effective July 1, 2009, payment of military differential  
20 wages.

21 b. "Compensation" shall not include any payment, as determined by the  
22 Board of Trustees, for the reimbursement of expenses or payments  
23 for housing or any other allowances whether or not classified as  
24 salary and wages. "Compensation" includes all special pay  
25 contribution of annual leave made to a 401(a) Special Pay Plan for  
26 the benefit of an employee. Notwithstanding any other provision of  
27 this Chapter, "compensation" shall not include:

- 28 1. Supplement/allowance provided to employee to purchase  
29 additional benefits such as health, life, or disability plans;
- 30 2. Travel supplement/allowance (nonaccountable allowance  
31 plans);
- 32 3. Employer contributions to eligible deferred compensation  
33 plans;
- 34 4. Employer-provided fringe benefits (additional benefits such  
35 as health, life, or disability plans);
- 36 5. Reimbursement of uninsured medical expenses;
- 37 6. Reimbursement of business expenses;
- 38 7. Reimbursement of moving expenses;
- 39 8. Reimbursement/payment of personal expenses;
- 40 9. Incentive payments for early retirement;
- 41 10. Bonuses paid incident to retirement;
- 42 11. Contract buyout/severance payments; and
- 43 12. Payouts for unused sick leave.

44 c. In the event an employer reports as "compensation" payments not  
45 specifically included or excluded as "compensation", such payments  
46 shall be "compensation" for retirement purposes only if the employer  
47 pays the Retirement System the additional actuarial liability created  
48 by such payments."

49 **SECTION 6.(f)** G.S.128-21(7a) reads as rewritten:

50 "(7a) a. "Compensation" shall mean all salaries and wages prior to any  
51 reduction pursuant to sections 125, 401(k), 403(b), 414(h)(2), and

457 of the Internal Revenue Code, not including any terminal payments for unused sick leave, derived from public funds which are earned by a member of the Retirement System for service as an employee in the unit of the Retirement System for which he is performing full-time work. In addition to the foregoing, "compensation" shall include:

1. Performance-based compensation (regardless of whether paid in a lump sum, periodic installments, or on a monthly basis);
2. Conversion of additional benefits to salary (additional benefits such as health, life, or disability plans), so long as the benefits are other than mandated by State law or regulation;
3. Payment of tax consequences for benefits provided by the employer so long as they constitute an adjustment or increase in salary and not a "reimbursement of expenses";
4. Payout of vacation leave so long as such payouts are permitted by applicable law and regulation; and
5. Employee contributions to eligible deferred compensation plans; and
6. Effective July 1, 2009, payment of military differential wages.

b. "Compensation" shall not include any payment, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances whether or not classified as salary and wages. Notwithstanding any other provision of this Chapter, "compensation" shall not include:

1. Supplement/allowance provided to employee to purchase additional benefits such as health, life, or disability plans;
2. Travel supplement/allowance (nonaccountable allowance plans);
3. Employer contributions to eligible deferred compensation plans;
4. Employer-provided fringe benefits (additional benefits such as health, life, or disability plans);
5. Reimbursement of uninsured medical expenses;
6. Reimbursement of business expenses;
7. Reimbursement of moving expenses;
8. Reimbursement/payment of personal expenses;
9. Incentive payments for early retirement;
10. Bonuses paid incident to retirement;
11. Contract buyout/severance payments; and
12. Payouts for unused sick leave.

c. In the event an employer reports as "compensation" payments not specifically included or excluded as "compensation", such payments shall be "compensation" for retirement purposes only if the employer pays the Retirement System the additional actuarial liability created by such payments."

**SECTION 6.(g)** G.S. 135-53(5) reads as rewritten:

"(5) "Compensation" shall mean all salaries and wages derived from public funds which are earned by a member of the Retirement System for his service as a justice or judge, or district attorney, or clerk of superior court, or public

defender, or the Director of Indigent Defense Services. Effective July 1, 2009, "compensation" also means payment of military differential wages."

**SECTION 6.(h)** G.S. 120-4.8(5) reads as rewritten:

"(5) "Compensation" means salary and expense allowance paid for service as a legislator in the North Carolina General Assembly, exclusive of travel and per diem. Effective July 1, 2009, "compensation" also means payment of military differential wages."

**SECTION 6.(i)** G.S. 135-1(10) reads as rewritten:

"(10) "Employee" shall mean all full-time employees, agents or officers of the State of North Carolina or any of its departments, bureaus and institutions other than educational, whether such employees are elected, appointed or employed: Provided that the term "employee" shall not include any person who is a member of the Consolidated Judicial Retirement System, any member of the General Assembly or any part-time or temporary employee. Notwithstanding any other provision of law, "employee" shall include all employees of the General Assembly except participants in the Legislative Intern Program, pages, and beneficiaries in receipt of a monthly retirement allowance under this Chapter who are reemployed on a temporary basis. "Employee" also includes any participant whose employment is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, if that participant was an employee at the time of the interruption; if the participant does not return immediately after that service to employment with a covered employer in this System, then the participant shall be deemed "in service" until the date on which the participant was first eligible to be separated or released from his or her involuntary military service. In all cases of doubt, the Board of Trustees shall determine whether any person is an employee as defined in this Chapter. "Employee" shall also mean every full-time civilian employee of the army national guard and air national guard of this State who is employed pursuant to section 709 of Title 32 of the United States Code and paid from federal appropriated funds, but held by the federal authorities not to be a federal employee: Provided, however, that the authority or agency paying the salaries of such employees shall deduct or cause to be deducted from each employee's salary the employee's contribution in accordance with applicable provisions of G.S. 135-8 and remit the same, either directly or indirectly, to the Retirement System; coverage of employees described in this sentence shall commence upon the first day of the calendar year or fiscal year, whichever is earlier, next following the date of execution of an agreement between the Secretary of Defense of the United States and the Adjutant General of the State acting for the Governor in behalf of the State, but no credit shall be allowed pursuant to this sentence for any service previously rendered in the above-described capacity as a civilian employee of the national guard: Provided, further, that the Adjutant General, in his discretion, may terminate the Retirement System coverage of the above-described national guard employees if a federal retirement system is established for such employees and the Adjutant General elects to secure coverage of such employees under such federal retirement system. Any full-time civilian employee of the national guard described above who is now or hereafter may become a member of the Retirement System may secure Retirement System credit for such service as a national guard civilian

employee for the period preceding the time when such employees became eligible for Retirement System coverage by paying to the Retirement System an amount equal to that which would have constituted employee contributions if he had been a member during the years of ineligibility, plus interest. Employees of State agencies, departments, institutions, boards, and commissions who are employed in permanent job positions on a recurring basis and who work 30 or more hours per week for nine or more months per calendar year are covered by the provisions of this subdivision. On and after August 1, 2001, a person who is a nonimmigrant alien and who otherwise meets the requirements of this subdivision shall not be excluded from the definition of "employee" solely because the person holds a temporary or time-limited visa."

**SECTION 6.(j)** G.S. 128-21(10) reads as rewritten:

"(10) "Employee" shall mean any person who is regularly employed in the service of and whose salary or compensation is paid by the employer as defined in subdivision (11) of this section, whether employed or appointed for stated terms or otherwise, except teachers in the public schools and except such employees who hold office by popular election as are not required to devote a major portion of their time to the duties of their office. "Employee" also means all full-time, paid firemen who are employed by any fire department that serves a city or county or any part of a city or county and that is supported in whole or in part by municipal or county funds. "Employee" also includes any participant whose employment is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, if that participant was an employee at the time of the interruption; if the participant does not return immediately after that service to employment with a covered employer in this System, then the participant shall be deemed "in service" until the date on which the participant was first eligible to be separated or released from his or her involuntary military service. In all cases of doubt the Board of Trustees shall decide who is an employee. On and after August 1, 2001, a person who is a nonimmigrant alien and who otherwise meets the requirements of this subdivision shall not be excluded from the definition of "employee" solely because the person holds a temporary or time-limited visa."

**SECTION 7.(a)** G.S. 135-8(b2) reads as rewritten:

"(b2) Retroactive Adjustment in Compensation or an Underreporting of Compensation. – A member or beneficiary who is awarded backpay in cases of a denied promotional opportunity in which the aggrieved member or beneficiary is granted a promotion retroactively, or in cases in which an employer errs in the reporting of compensation, including the employee and employer contributions, the member or beneficiary and employer may make employee and employer contributions on the retroactive or additional compensation, after submitting clear and convincing evidence of the retroactive promotion or underreporting of compensation, as follows:

- (1) Within 90 days of the denial of the promotion or the error in reporting, by the payment of employee and employer contributions that would have been paid; or
- (2) After 90 days of the denial of the promotion or the error in reporting, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar

1 year or the actuarial investment rate-of-return assumption, as adopted by the  
2 Board of Trustees.

3 For members or beneficiaries electing to make the employee contributions on the  
4 retroactive adjustment in compensation or on the underreported compensation, the member's or  
5 beneficiary's employer, which granted the retroactive promotion or erred in underreporting  
6 compensation and contributions, shall make the required employer contributions. Nothing  
7 contained in this subsection shall prevent an employer from paying all or a part of the interest  
8 assessed on the employee contributions; and to the extent paid by the employer, the interest  
9 paid by the employer shall be credited to the pension accumulation fund; provided, however, an  
10 employer does not discriminate against any member or beneficiary or group of members or  
11 beneficiaries in his employ in paying all or any part of the interest assessed on the employee  
12 contributions due.

13 In the event the retroactive adjustment in compensation or the underreported compensation  
14 is for a period that occurs during the four consecutive calendar years that would have produced  
15 the highest average annual compensation pursuant to G.S. 135-1(5) the compensation the  
16 member or beneficiary would have received during the period shall be included in calculating  
17 the member's or beneficiary's average final compensation only in the event the appropriate  
18 employee and employer contributions are paid on such compensation.

19 An employer error in underreporting compensation shall not include a retroactive increase  
20 in compensation that occurs during the four consecutive calendar years that would have  
21 produced the highest average annual compensation pursuant to G.S. 135-1(5) for reasons other  
22 than a wrongfully denied promotional opportunity where the member is promoted  
23 retroactively."

24 **SECTION 7.(b) G.S. 128-30(b2) reads as rewritten:**

25 "(b2) Retroactive Adjustment in Compensation or an Underreporting of Compensation. –  
26 A member or beneficiary who is awarded backpay in cases of a denied promotional opportunity  
27 in which the aggrieved member or beneficiary is granted a promotion retroactively, or in cases  
28 in which an employer errs in the reporting of compensation, including the employee and  
29 employer contributions, the member or beneficiary and employer may make employee and  
30 employer contributions on the retroactive or additional compensation after submitting clear and  
31 convincing evidence of the retroactive promotion or underreporting of compensation, as  
32 follows:

- 33 (1) Within 90 days of the denial of the promotion or the error in reporting, by  
34 the payment of employee and employer contributions that would have been  
35 paid; or  
36 (2) After 90 days of the denial of the promotion or the error in reporting, by the  
37 payment of the employee and employer contributions that would have been  
38 paid plus interest compounded annually at a rate equal to the greater of the  
39 average yield on the pension accumulation fund for the preceding calendar  
40 year or the actuarial investment rate-of-return assumption, as adopted by the  
41 Board of Trustees.

42 For members or beneficiaries electing to make the employee contributions on the  
43 retroactive adjustment in compensation or on the underreported compensation, the member's or  
44 beneficiary's employer, which granted the retroactive promotion or erred in underreporting  
45 compensation and contributions, shall make the required employer contributions. Nothing  
46 contained in this subsection shall prevent an employer from paying all or a part of the interest  
47 assessed on the employee contributions; and to the extent paid by the employer, the interest  
48 paid by the employer shall be credited to the pension accumulation fund; provided, however, an  
49 employer does not discriminate against any member or beneficiary or group of members or  
50 beneficiaries in his employ in paying all or any part of the interest assessed on the employee  
51 contributions due.



1 In the event the retroactive adjustment in compensation or the underreported compensation  
2 is for a period that occurs during the four consecutive calendar years that would have produced  
3 the highest average annual compensation pursuant to G.S. 135-1(5), the compensation the  
4 member or beneficiary would have received during the period shall be included in calculating  
5 the member's or beneficiary's average final compensation only in the event the appropriate  
6 employee and employer contributions are paid on such compensation.

7 An employer error in underreporting compensation shall not include a retroactive increase  
8 in compensation that occurs during the four consecutive calendar years that would have  
9 produced the highest average annual compensation pursuant to G.S. 135-1(5), for reasons other  
10 than a wrongfully denied promotional opportunity where the member is promoted  
11 retroactively."

12 SECTION 8.(a) G.S. 135-3(8) is amended by adding a new sub-subdivision to  
13 read:

14 "c1. Within 90 days of the end of each month in which a beneficiary is  
15 reemployed under the provisions of sub-subdivision c. of this  
16 subdivision, each employer shall provide a report for that month on  
17 each reemployed beneficiary, including the terms of the  
18 reemployment, the date of the reemployment, and the amount of the  
19 monthly compensation. If such a report is not received within the  
20 required 90 days, the Board shall assess the employer with a penalty  
21 of ten percent (10%) of the compensation of the unreported  
22 reemployed beneficiaries during the months for which the employer  
23 did not report the reemployed beneficiaries, with a minimum penalty  
24 of twenty-five dollars (\$25.00)."

25 SECTION 8.(b) G.S. 128-24(5) is amended by adding a new sub-subdivision to  
26 read:

27 "c1. Within 90 days of the end of each month in which a beneficiary is  
28 reemployed under the provisions of sub-subdivision c. of this  
29 subdivision, each employer shall provide a report for that month on  
30 each reemployed beneficiary, including the terms of the  
31 reemployment, the date of the reemployment, and the amount of the  
32 monthly compensation. If such a report is not received within the  
33 required 90 days, the Board shall assess the employer with a penalty  
34 of ten percent (10%) of the compensation of the unreported  
35 reemployed beneficiaries during the months for which the employer  
36 did not report the reemployed beneficiaries, with a minimum penalty  
37 of twenty-five dollars (\$25.00)."

38 SECTION 9. G.S. 135-5(c), amended by Section 3(d) of this act, reads as  
39 rewritten:

40 "(c) Disability Retirement Benefits of Members Leaving Service Prior to January 1,  
41 1988. – The provisions of this subsection shall not be applicable to members in service on or  
42 after January 1, 1988. Upon the application of a member or of his employer, any member who  
43 has had five or more years of creditable service may be retired by the Board of Trustees, on the  
44 first day of any calendar month, not less than one day nor more than 120 days next following  
45 the date of filing such application, on a disability retirement allowance: Provided, that the  
46 medical board, after a medical examination of such member, shall certify that such member is  
47 mentally or physically incapacitated for the further performance of duty, that such incapacity  
48 was incurred at the time of active employment and has been continuous thereafter, that such  
49 incapacity is likely to be permanent, and that such member should be retired; Provided further  
50 the medical board shall determine if the member is able to engage in gainful employment and,  
51 if so, the member may still be retired and the disability retirement allowance as a result thereof

shall be reduced as in subsection (e) below. Provided further, that the medical board shall not certify any member as disabled who:

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

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

Supplemental disability benefits heretofore provided are hereby made a permanent part of disability benefits after age 65, and shall not be discontinued at age 65.

Notwithstanding the requirement of five or more years of creditable service to the contrary, a member who is a law-enforcement officer and who has had one year or more of creditable service and becomes incapacitated for duty as the natural and proximate result of an accident occurring while in the actual performance of duty, and meets all other requirements for disability retirement benefits, may be retired by the Board of Trustees on a disability retirement allowance.

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

Notwithstanding the foregoing, the surviving designated beneficiary of a deceased member who met all other requirements for disability retirement benefits, except whose death occurred before the first day of the calendar month in which the member's disability retirement allowance was to be due and payable, may elect to receive the reduced retirement allowance provided by a ~~fifty percent (50%)~~ one hundred percent (100%) joint and survivor payment option in lieu of a return of accumulated contributions, provided the following conditions apply:

- (1) The member had designated as the principal beneficiary, to receive a return of accumulated contributions at the time of his death, one and only one person, and
- (2) The member had not instructed the Board of Trustees in writing that he did not wish the provision of this subsection to apply."

**SECTION 10.** G.S. 127A-40(b) reads as rewritten:

"(b) Payment to a retired member of the North Carolina national guard under the provisions of this section will cease at the death of the individual and no payment will be made to beneficiaries or to the decedent's ~~estate.~~ estate, except that the legal representative of a retired member who dies shall be entitled to a full check for the month in which the death occurred."

**SECTION 11.(a)** G.S. 135-63(a) reads as rewritten:

"(a) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a member in service, there shall be paid in a lump sum to such person as the member shall have nominated by electronic submission prior to completing 10 years of service in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit equal to the sum of (i) the member's

1 accumulated contributions, plus (ii) the member's final compensation; provided, however, that  
2 if the member has attained his fiftieth birthday with at least five years of membership service at  
3 his date of death, and if the designated recipient of the death benefits is the member's spouse  
4 who survives him, and if the spouse so elects, then the lump-sum death benefit provided for  
5 herein shall consist only of a payment equal to the member's final compensation and there shall  
6 be paid to the surviving spouse an annual retirement allowance, payable monthly, which shall  
7 commence on the first day of the calendar month coinciding with or next following the death of  
8 the member and shall be continued on the first day of each month thereafter until the  
9 remarriage or death of the spouse. The amount of any such retirement allowance shall be equal  
10 to one half of the amount of the retirement allowance to which the member would have been  
11 entitled had he retired under the provisions of G.S. 135-57(a) on the first day of the calendar  
12 month coinciding with or next following his date of death, reduced by two percent (2%) thereof  
13 for each full year, if any, by which the age of the member at his date of death exceeds that of  
14 his spouse. If the retirement allowance to the spouse shall terminate on the remarriage or death  
15 of the spouse before the total of the retirement allowance payments made equals the amount of  
16 the member's accumulated contributions at date of death, the excess of such accumulated  
17 contributions over the total of the retirement allowances paid to the spouse shall be paid in a  
18 lump sum to such person as the member shall have nominated by electronic submission in a  
19 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
20 with the Board of Trustees, if such person is living at the time such payment falls due,  
21 otherwise to the former member's legal representatives."

22 **SECTION 11.(b)** G.S. 135-63(c) reads as rewritten:

23 "(c) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a  
24 member not in service, there shall be paid in a lump sum to such person as the member shall  
25 have nominated by electronic submission prior to completing 10 years of service in a form  
26 approved by the Board of Trustees or by written designation duly acknowledged and filed with  
27 the Board of Trustees, if such person is living at the time of the member's death, otherwise to  
28 the member's legal representatives, a death benefit equal to the member's accumulated  
29 contributions."

30 **SECTION 11.(c)** G.S. 135-64(c) reads as rewritten:

31 "(c) In the event of the death of a former member while in receipt of a retirement  
32 allowance under the provisions of G.S. 135-58, 135-60, or 135-61, if such former member is  
33 not survived by a spouse to whom a retirement allowance is payable under the provisions of  
34 subsection (a) or subsection (b) above, nor survived by a beneficiary to whom a monthly  
35 survivorship benefit is payable under one of the optional modes of payment under G.S. 135-61,  
36 there shall be paid to such person as the member shall have nominated by electronic submission  
37 in a form approved by the Board of Trustees or by written designation duly acknowledged and  
38 filed with the Board of Trustees, if such person is living at the time of the member's death,  
39 otherwise to the member's legal representatives, a death benefit equal to the excess, if any, of  
40 the accumulated contributions of the member at his date of retirement over the total of the  
41 retirement allowances paid to him prior to his death."

42 **SECTION 11.(d)** G.S. 135-64(d) reads as rewritten:

43 "(d) In the event that a retirement allowance becomes payable to the spouse of a former  
44 member under the provisions of subsection (a) or subsection (b) above, or to the designated  
45 survivor of a former member under one of the optional modes of payment under G.S. 135-61,  
46 and such retirement allowance to the spouse shall terminate on the remarriage or death of the  
47 spouse, or on the death of the designated survivor, before the total of the retirement allowances  
48 paid to the former member and his spouse or designated survivor combined equals the amount  
49 of the member's accumulated contributions at his date of retirement, the excess of such  
50 accumulated contributions over the total of the retirement allowances paid to the former  
51 member and his spouse or designated survivor combined shall be paid in a lump sum to such

1 person as the member shall have nominated by electronic submission in a form approved by the  
2 Board of Trustees or by written designation duly acknowledged and filed with the Board of  
3 Trustees, if such person is living at the time such payment falls due, otherwise to the former  
4 member's legal representatives."

5 **SECTION 11.(e)** G.S. 135-5(f) reads as rewritten:

6 "(f) Return of Accumulated Contributions. – Should a member cease to be a teacher or  
7 State employee except by death or retirement under the provisions of this Chapter, he shall  
8 upon submission of an application be paid, not earlier than 60 days from the date of termination  
9 of service, his contributions, and if he has attained at least five years of membership service or  
10 if termination of his membership service is involuntary as certified by the employer, the  
11 accumulated regular interest thereon, provided that he has not in the meantime returned to  
12 service. Upon payment of such sum his membership in the System shall cease and, if he  
13 thereafter again becomes a member, no credit shall be allowed for any service previously  
14 rendered except as provided in G.S. 135-4, and such payment shall be in full and complete  
15 discharge of any rights in or to any benefits otherwise payable hereunder. Upon receipt of proof  
16 satisfactory to the Board of Trustees of the death, prior to retirement, of a member or former  
17 member there shall be paid to such person or persons as he shall have nominated by electronic  
18 submission prior to completing 10 years of service in a form approved by the Board of Trustees  
19 or by written designation duly acknowledged and filed with the Board of Trustees, if such  
20 person or persons are living at the time of the member's death, otherwise to the member's legal  
21 representatives, the amount of his accumulated contributions at the time of his death, unless the  
22 beneficiary elects to receive the alternate benefit under the provisions of (m) below. An  
23 extension service employee who made contributions to the Local Governmental Employees'  
24 Retirement System and the Teachers' and State Employees' Retirement System as a result of  
25 dual employment may not be paid his accumulated contributions unless he is eligible to be paid  
26 his accumulated contributions in both systems for the same period of service.

27 Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the  
28 Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated  
29 contributions to the Consolidated Judicial Retirement System or to the Supplemental  
30 Retirement Income Plan and forfeit any rights in or to any benefits otherwise payable  
31 hereunder.

32 A member who is a participant or beneficiary of the Disability Income Plan of North  
33 Carolina as is provided in Article 6 of this Chapter shall not be paid a return of accumulated  
34 contributions, notwithstanding the member's status as an employee or teacher. Notwithstanding  
35 any other provision of law to the contrary, a member who is a beneficiary of the Disability  
36 Income Plan of North Carolina as provided in Article 6 of this Chapter and who is receiving  
37 disability benefits under the transition provisions as provided in G.S. 135-112, shall not be  
38 prohibited from receiving a return of accumulated contributions as provided in this subsection."

39 **SECTION 11.(f)** G.S. 135-5(g1), as amended by Section 5(b) of this act, reads as  
40 rewritten:

41 "(g1) In the event of the death of a retired member while in receipt of a retirement  
42 allowance under the provisions of this Article, there shall be paid to such person or persons as  
43 the retiree shall have nominated by electronic submission in a form approved by the Board of  
44 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
45 such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
46 legal representatives, a death benefit equal to the excess, if any, of the accumulated  
47 contributions of the retiree at the date of retirement over the total of the retirement allowances  
48 paid prior to the death of the retiree. For purposes of this paragraph, the term "accumulated  
49 contributions" includes amounts of employee voluntary contributions that were transferred  
50 from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at  
51 retirement by eligible law enforcement officers.

1 In the event that a retirement allowance becomes payable to the designated survivor of a  
2 retired member under the provisions above and such retirement allowance to the survivor shall  
3 terminate upon the death of the survivor before the total of the retirement allowances paid to  
4 the retiree and the designated survivor combined equals the amount of the accumulated  
5 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
6 contributions over the total of the retirement allowances paid to the retiree and the survivor  
7 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
8 nominated by electronic submission in a form approved by the Board of Trustees or by written  
9 designation duly acknowledged and filed with the Board of Trustees, if such person or persons  
10 are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
11 purposes of this paragraph, the term "accumulated contributions" includes amounts of  
12 employee voluntary contributions that were transferred from the Supplemental Retirement  
13 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
14 enforcement officers.

15 In the event that a retirement allowance becomes payable to the principal beneficiary  
16 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
17 section and that beneficiary dies before the total of the retirement allowances paid equals the  
18 amount of the accumulated contributions of the member at the date of the member's death, the  
19 excess of those accumulated contributions over the total of the retirement allowances paid to  
20 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
21 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
22 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
23 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
24 amounts of employee voluntary contributions that were transferred from the Supplemental  
25 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
26 law enforcement officers.

27 In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be  
28 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
29 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
30 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,  
31 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
32 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
33 total of the increase in the retirement allowance attributable to the additional creditable service,  
34 paid from the month following the month in which payment was received to the death of the  
35 retiree.

36 In the event that a retirement allowance becomes payable to the designated survivor of a  
37 retired member under the provisions above and such retirement allowance to the survivor shall  
38 terminate upon the death of the survivor before the total of the increase in the retirement  
39 allowance attributable to the additional creditable service paid to the retiree and the designated  
40 survivor combined equals the cost of the creditable service purchased less the administrative  
41 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
42 have nominated by electronic submission in a form approved by the Board of Trustees or by  
43 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
44 persons are living at the time such payment falls due, otherwise to the retiree's legal  
45 representative.

46 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
47 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
48 the member's estate."

49 **SECTION 11.(g)** G.S. 135-5(l), as amended by Section 6(a) of this act, reads as  
50 rewritten:

"(l) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is separate and apart from the Retirement System and under which the members of the Retirement System shall participate and be eligible for group life insurance benefits. Upon receipt of proof, satisfactory to the Board of Trustees in their capacity as trustees under the Group Life Insurance Plan, of the death, in service, of a member who had completed at least one full calendar year of membership in the Retirement System, there shall be paid to such person as he shall have nominated by electronic submission prior to completing 10 years of service in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

- (1) The compensation on which contributions were made by the member during the calendar year preceding the year in which his death occurs, or
- (2) The greatest compensation on which contributions were made by the member during a 12-month period of service within the 24-month period of service ending on the last day of the month preceding the month in which his last day of actual service occurs;

(3),(4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2. subject to a minimum of twenty-five thousand dollars (\$25,000) and to a maximum of fifty thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the payment of the member's accumulated contributions under the System on his death pursuant to the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be deemed to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service.

The death benefit provided in this subsection (l) shall not be payable, notwithstanding the member's compliance with all the conditions set forth in the preceding paragraph, if his death occurs

- (1) After December 31, 1968 and after he has attained age 70; or
- (2) After December 31, 1969 and after he has attained age 69; or
- (3) After December 31, 1970 and after he has attained age 68; or
- (4) After December 31, 1971 and after he has attained age 67; or
- (5) After December 31, 1972 and after he has attained age 66; or
- (6) After December 31, 1973 and after he has attained age 65; or
- (7) After December 31, 1978, but before January 1, 1987, and after he has attained age 70.

Notwithstanding the above provisions, the death benefit shall be payable on account of the death of any member who died or dies on or after January 1, 1974, but before January 1, 1979, after attaining age 65, if he or she had not yet attained age 65, if he or she had not yet attained age 66, was at the time of death completing the work year for those individuals under specific contract, or during the fiscal year for those individuals not under specific contract, in which he or she attained 65, and otherwise met all conditions for payment of the death benefit.

Notwithstanding the above provisions, the Board of Trustees may and is specifically authorized to provide the death benefit according to the terms and conditions otherwise appearing in this Plan in the form of group life insurance, either (i) by purchasing a contract or contracts of group life insurance with any life insurance company or companies licensed and authorized to transact business in this State for the purpose of insuring the lives of members in service, or (ii) by establishing a separate trust fund qualified under Section 501(c)(9) of the Internal Revenue Code of 1954, as amended, for such purpose. To that end the Board of Trustees is authorized, empowered and directed to investigate the desirability of utilizing group life insurance by either of the foregoing methods for the purpose of providing the death benefit.

1 If a separate trust fund is established, it shall be operated in accordance with rules and  
2 regulations adopted by the Board of Trustees and all investment earnings on the trust fund shall  
3 be credited to such fund.

4 In administration of the death benefit the following shall apply:

- 5 (1) For the purpose of determining eligibility only, in this subsection "calendar  
6 year" shall mean any period of 12 consecutive months or, if less, the period  
7 covered by an annual contract of employment. For all other purposes in this  
8 subsection "calendar year" shall mean the 12 months beginning January 1  
9 and ending December 31.
- 10 (2) Last day of actual service shall be:
- 11 a. When employment has been terminated, the last day the member  
12 actually worked.
- 13 b. When employment has not been terminated, the date on which an  
14 absent member's sick and annual leave expire, unless he is on  
15 approved leave of absence and is in service under the provisions of  
16 G.S. 135-4(h).
- 17 c. When a participant's employment is interrupted by reason of service  
18 in the Uniformed Services, as that term is defined in section 4303(16)  
19 of the Uniformed Services Employment and Reemployment Rights  
20 Act, Public Law 103-353, and the participant does not return  
21 immediately after that service to employment with a covered  
22 employer in this System, the date on which the participant was first  
23 eligible to be separated or released from his or her involuntary  
24 military service.
- 25 (3) For a period when a member is on leave of absence, his status with respect to  
26 the death benefit will be determined by the provisions of G.S. 135-4(h).
- 27 (4) A member on leave of absence from his position as a teacher or State  
28 employee for the purpose of serving as a member or officer of the General  
29 Assembly shall be deemed to be in service during sessions of the General  
30 Assembly and thereby covered by the provisions of the death benefit. The  
31 amount of the death benefit for such member shall be the equivalent of the  
32 salary to which the member would have been entitled as a teacher or State  
33 employee during the 12-month period immediately prior to the month in  
34 which death occurred, not to be less than twenty-five thousand dollars  
35 (\$25,000) nor to exceed fifty thousand dollars (\$50,000).

36 The provisions of the Retirement System pertaining to Administration, G.S. 135-6, and  
37 management of funds, G.S. 135-7, are hereby made applicable to the Plan.

38 A member who is a beneficiary of the Disability Income Plan provided for in Article 6 of  
39 this Chapter, or a member who is in receipt of Workers' Compensation during the period for  
40 which he or she would have otherwise been eligible to receive short-term benefits as provided  
41 in G.S. 135-105 and dies on or after 181 days from the last day of his or her actual service but  
42 prior to the date the benefits as provided in G.S. 135-105 would have ended, shall be eligible  
43 for group life insurance benefits as provided in this subsection, notwithstanding that the  
44 member is no longer an employee or teacher or that the member's death occurs after the  
45 eligibility period after active service. The basis of the death benefit payable hereunder shall be  
46 the higher of the death benefit computed as above or a death benefit based on compensation  
47 used in computing the benefit payable under G.S. 135-105 and G.S. 135-106, as may be  
48 adjusted for percentage post-disability increases, all subject to the maximum dollar limitation  
49 as provided above. A member in receipt of benefits from the Disability Income Plan under the  
50 provisions of G.S. 135-112 whose right to a benefit accrued under the former Disability Salary  
51 Continuation Plan shall not be covered under the provisions of this paragraph.

1       Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
2 subsection, of the death of a retired member of the Retirement System on or after July 1, 1988,  
3 but before January 1, 1999, there shall be paid a death benefit to the surviving spouse of the  
4 deceased retired member or to the deceased retired member's legal representative if not  
5 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
6 has continuously made, in advance of his death required contributions as determined by the  
7 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
8 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
9 administered by the Board of Trustees separate and apart from the Retirement System's  
10 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum  
11 payment in the amount of five thousand dollars (\$5,000) upon the completion of twenty-four  
12 months of contributions required under this subsection. Should death occur before the  
13 completion of twenty-four months of contributions required under this subsection, the deceased  
14 retired member's surviving spouse or legal representative if not survived by a spouse shall be  
15 paid the sum of the retired member's contributions required by this subsection plus interest to  
16 be determined by the Board of Trustees.

17       Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
18 subsection, of the death of a retired member of the Retirement System on or after January 1,  
19 1999, but before July 1, 2004, there shall be paid a death benefit to the surviving spouse of the  
20 deceased retired member or to the deceased retired member's legal representative if not  
21 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
22 has continuously made, in advance of his death required contributions as determined by the  
23 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
24 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
25 administered by the Board of Trustees separate and apart from the Retirement System's  
26 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum  
27 payment in the amount of six thousand dollars (\$6,000) upon the completion of 24 months of  
28 contributions required under this subsection. Should death occur before the completion of 24  
29 months of contributions required under this subsection, the deceased retired member's surviving  
30 spouse or legal representative if not survived by a spouse shall be paid the sum of the retired  
31 member's contributions required by this subsection plus interest to be determined by the Board  
32 of Trustees.

33       Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
34 subsection, of the death of a retired member of the Retirement System on or after July 1, 2004,  
35 but before July 1, 2007, there shall be paid a death benefit to the surviving spouse of the  
36 deceased retired member or to the deceased retired member's legal representative if not  
37 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
38 has continuously made, in advance of his death required contributions as determined by the  
39 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
40 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
41 administered by the Board of Trustees Fund and Pension Accumulation Fund. This death  
42 benefit shall be a lump-sum payment in the amount of nine thousand dollars (\$9,000) upon the  
43 completion of 24 months of contributions required under this subsection. Should death occur  
44 before the completion of 24 months of contributions required under this subsection, the  
45 deceased retired member's surviving spouse or legal representative if not survived by a spouse  
46 shall be paid the sum of the retired member's contributions required by this subsection plus  
47 interest to be determined by the Board of Trustees.

48       Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
49 subsection, of the death of a retired member of the Retirement System on or after July 1, 2007,  
50 there shall be paid a death benefit to the surviving spouse of the deceased retired member or to  
51 the deceased retired member's legal representative if not survived by a spouse; provided the



1 retired member has elected, when first eligible, to make, and has continuously made, in  
2 advance of his death required contributions as determined by the Board of Trustees on a fully  
3 contributory basis, through retirement allowance deductions or other methods adopted by the  
4 Board of Trustees, to a group death benefit trust fund administered by the Board of Trustees  
5 Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the  
6 amount of ten thousand dollars (\$10,000) upon the completion of 24 months of contributions  
7 required under this subsection. Should death occur before the completion of 24 months of  
8 contributions required under this subsection, the deceased retired member's surviving spouse or  
9 legal representative if not survived by a spouse shall be paid the sum of the retired member's  
10 contributions required by this subsection plus interest to be determined by the Board of  
11 Trustees."

12 **SECTION 11.(h)** G.S. 128-27(f) reads as rewritten:

13 "(f) Return of Accumulated Contributions. – Should a member cease to be an employee  
14 except by death or retirement under the provisions of this Chapter, he shall upon submission of  
15 an application be paid, not earlier than 60 days from the date of termination of service, his  
16 contributions and, if he has attained at least five years of membership service or if termination  
17 of his membership service is involuntary as certified by the employer, the accumulated regular  
18 interest thereon, provided that he has not in the meantime returned to service. Upon payment of  
19 such sum his membership in the System shall cease and, if he thereafter again becomes a  
20 member, no credit shall be allowed for any service previously rendered except as provided in  
21 G.S. 128-26; and such payment shall be in full and complete discharge of any rights in or to  
22 any benefits otherwise payable hereunder. Upon receipt of proof satisfactory to the Board of  
23 Trustees of the death, prior to retirement, of a member or former member there shall be paid to  
24 such person or persons as he shall have nominated by electronic submission prior to completing  
25 10 years of service in a form approved by the Board of Trustees or by written designation duly  
26 acknowledged and filed with the Board of Trustees, if such person or persons are living at the  
27 time of the member's death, otherwise to the member's legal representatives, the amount of his  
28 accumulated contributions at the time of his death, unless the beneficiary elects to receive the  
29 alternate benefit under the provisions of (m) below. An extension service employee who made  
30 contributions to the Local Governmental Employees' Retirement System and the Teachers' and  
31 State Employees' Retirement System as a result of dual employment may not be paid his  
32 accumulated contributions unless he is eligible to be paid his accumulated contributions in both  
33 systems for the same period of service.

34 Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the  
35 Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated  
36 contributions to the Consolidated Judicial Retirement System or to the Supplemental  
37 Retirement Income Plan and forfeit any rights in or to any benefits otherwise payable  
38 hereunder."

39 **SECTION 11.(i)** G.S. 128-27(g1), as amended by Section 5(e) of this act, reads as  
40 rewritten:

41 "(g1) In the event of the death of a retired member while in receipt of a retirement  
42 allowance under the provisions of this Article, there shall be paid to such person or persons as  
43 the retiree shall have nominated by electronic submission in a form approved by the Board of  
44 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
45 such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
46 legal representatives, a death benefit equal to the excess, if any, of the accumulated  
47 contributions of the retiree at the date of retirement over the total of the retirement allowances  
48 paid prior to the death of the retiree. For purposes of this paragraph, the term "accumulated  
49 contributions" includes amounts of employee voluntary contributions that were transferred  
50 from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at  
51 retirement by eligible law enforcement officers.

1 In the event that a retirement allowance becomes payable to the designated survivor of a  
2 retired member under the provisions above and such retirement allowance to the survivor shall  
3 terminate upon the death of the survivor before the total of the retirement allowances paid to  
4 the retiree and the designated survivor combined equals the amount of the accumulated  
5 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
6 contributions over the total of the retirement allowances paid to the retiree and the survivor  
7 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
8 nominated by electronic submission in a form approved by the Board of Trustees or by written  
9 designation duly acknowledged and filed with the Board of Trustees, if such person or persons  
10 are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
11 purposes of this paragraph, the term "accumulated contributions" includes amounts of  
12 employee voluntary contributions that were transferred from the Supplemental Retirement  
13 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
14 enforcement officers.

15 In the event that a retirement allowance becomes payable to the principal beneficiary  
16 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
17 section and that beneficiary dies before the total of the retirement allowances paid equals the  
18 amount of the accumulated contributions of the member at the date of the member's death, the  
19 excess of those accumulated contributions over the total of the retirement allowances paid to  
20 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
21 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
22 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
23 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
24 amounts of employee voluntary contributions that were transferred from the Supplemental  
25 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
26 law enforcement officers.

27 In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be  
28 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
29 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
30 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,  
31 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
32 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
33 total of the increase in the retirement allowance attributable to the additional creditable service,  
34 paid from the month following the month in which payment was received to the death of the  
35 retiree.

36 In the event that a retirement allowance becomes payable to the designated survivor of a  
37 retired member under the provisions above, and such retirement allowance to the survivor shall  
38 terminate upon the death of the survivor before the total of the increase in the retirement  
39 allowance attributable to the additional creditable service paid to the retiree and the designated  
40 survivor combined equals the cost of the creditable service purchased less the administrative  
41 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
42 have nominated by electronic submission in a form approved by the Board of Trustees or by  
43 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
44 persons are living at the time such payment falls due, otherwise to the retiree's legal  
45 representative.

46 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
47 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
48 the member's estate."

49 **SECTION 11.(j)** G.S. 128-27(l), as amended by Section 6(b) of this act, reads as  
50 rewritten:

"(l) Death Benefit Plan. – The provisions of this subsection shall become effective for any employer only after an agreement to that effect has been executed by the employer and the Director of the Retirement System. There is hereby created a Group Life Insurance Plan (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is separate and apart from the Retirement System and under which the members of the Retirement System shall participate and be eligible for group life insurance benefits. Upon receipt of proof, satisfactory to the Board of Trustees in their capacity as trustees under the Group Life Insurance Plan, of the death, in service, of a member who had completed at least one full calendar year of membership in the Retirement System, there shall be paid to such person as he shall have nominated by electronic submission prior to completing 10 years of service in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

- (1) The compensation on which contributions were made by the member during the calendar year preceding the year in which his death occurs, or
- (2) The greatest compensation on which contributions were made by the member during a 12-month period of service within the 24-month period of service ending on the last day of the month preceding the month in which his last day of actual service occurs;
- (3) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2; subject to a minimum of twenty-five thousand dollars (\$25,000) and a maximum of fifty thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the payment of the member's accumulated contributions under the System on his death pursuant to the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be deemed to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service.

The death benefit provided in this subsection shall not be payable, notwithstanding the member's compliance with all the conditions set forth in the preceding paragraph, if his death occurs

- (1) After June 30, 1969 and after he has attained age 70; or
- (2) After December 31, 1969 and after he has attained age 69; or
- (3) After December 31, 1970 and after he has attained age 68; or
- (4) After December 31, 1971 and after he has attained age 67; or
- (5) After December 31, 1972 and after he has attained age 66; or
- (6) After December 31, 1973 and after he has attained age 65; or
- (7) After December 31, 1978, but before January 1, 1987, and after he has attained age 70.

Notwithstanding the above provisions, the death benefit shall be payable on account of the death of any member who died or dies on or after January 1, 1974, but before January 1, 1979, after attaining age 65, if he or she had not yet attained age 65, if he or she had not yet attained age 66, was at the time of death completing the work year for those individuals under specific contract, or during the fiscal year for those individuals not under specific contract, in which he or she attained age 65, and otherwise met all conditions for payment of the death benefit.

Notwithstanding the above provisions, the Board of Trustees may and is specifically authorized to provide the death benefit according to the terms and conditions otherwise appearing in this Plan in the form of group life insurance, either (i) by purchasing a contract or contracts of group life insurance with any life insurance company or companies licensed and authorized to transact business in this State for the purpose of insuring the lives of members in service, or (ii) by establishing a separate trust fund qualified under section 501(c)(9) of the Internal Revenue Code of 1954, as amended, for such purpose. To that end the Board of

Trustees is authorized, empowered and directed to investigate the desirability of utilizing group life insurance by either of the foregoing methods for the purpose of providing the death benefit. If a separate trust fund is established, it shall be operated in accordance with rules and regulations adopted by the Board of Trustees and all investment earnings on the trust fund shall be credited to such fund.

In administration of the death benefit the following shall apply:

- (1) For the purpose of determining eligibility only, in this subsection "calendar year" shall mean any period of 12 consecutive months. For all other purposes in this subsection "calendar year" shall mean the 12 months beginning January 1 and ending December 31.
- (2) Last day of actual service shall be:
  - a. When employment has been terminated, the last day the member actually worked.
  - b. When employment has not been terminated, the date on which an absent member's sick and annual leave expire.
  - c. When a participant's employment is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, and the participant does not return immediately after that service to employment with a covered employer in this System, the date on which the participant was first eligible to be separated or released from his or her involuntary military service.
- (3) For a period when a member is on leave of absence, his status with respect to the death benefit will be determined by the provisions of G.S. 128-26(g).
- (4) A member on leave of absence from his position as a local governmental employee for the purpose of serving as a member or officer of the General Assembly shall be deemed to be in service during sessions of the General Assembly and thereby covered by the provisions of the death benefit, if applicable. The amount of the death benefit for such member shall be the equivalent of the salary to which the member would have been entitled as a local governmental employee during the 12-month period immediately prior to the month in which death occurred, not to be less than twenty-five thousand dollars (\$25,000) nor to exceed fifty thousand dollars (\$50,000).

The provisions of the Retirement System pertaining to administration, G.S. 128-28, and management of funds, G.S. 128-29, are hereby made applicable to the Plan."

**SECTION 11.(k)** G.S. 120-4.25 reads as rewritten:

**"§ 120-4.25. Return of accumulated contributions.**

If a member ceases to be a member of the General Assembly except by death or retirement, he shall, upon submission of an application, be paid not earlier than 60 days following the date of termination of service, the sum of his contributions if he has less than five years of creditable service, or the sum of his accumulated contributions if he has five or more years of creditable service, provided he has not in the meantime returned to service. Upon payment of this sum his membership in the System ceases. If he becomes a member afterwards, no credit shall be allowed for any service previously rendered except as provided in G.S. 120-4.14 and the payment shall be in full and complete discharge of any rights in or to any benefits otherwise payable under this Article. Upon receipt of proof satisfactory to the Board of Trustees of the death, prior to retirement, of a member or former member, there shall be paid to the person or persons he nominated by electronic submission prior to completing 10 years of service in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if the person or persons are living at the time of the member's death,

1 otherwise to the member's legal representatives, the amount of his accumulated contributions at  
2 the time of his death, unless the beneficiary elects to receive the alternate benefit under the  
3 provisions of G.S. 120-4.28."

4 **SECTION 11.(l)** G.S. 120-4.26A reads as rewritten:

5 **"§ 120-4.26A. Benefits on death after retirement.**

6 In the event of the death of a retired member while in receipt of a retirement allowance  
7 under the provisions of this Article, there shall be paid to such person or persons as the retiree  
8 shall have nominated by electronic submission in a form approved by the Board of Trustees or  
9 by written designation duly acknowledged and filed with the Board of Trustees, if such person  
10 or persons are living at the time of the retiree's death, otherwise to the retiree's legal  
11 representatives, a death benefit equal to the excess, if any, of the accumulated contributions of  
12 the retiree at the date of retirement over the total of the retirement allowances paid prior to the  
13 death of the retiree.

14 In the event that a retirement allowance becomes payable to the designated survivor of a  
15 retired member under the provisions of G.S. 120-4.26 and such retirement allowance to the  
16 survivor shall terminate upon the death of the survivor before the total of the retirement  
17 allowances paid to the retiree and the designated survivor combined equals the amount of the  
18 accumulated contributions of the retiree at the date of retirement, the excess, if any, of such  
19 accumulated contributions over the total of the retirement allowances paid to the retiree and the  
20 survivor combined shall be paid in a lump sum to such person or persons as the retiree shall  
21 have nominated by electronic submission in a form approved by the Board of Trustees or by  
22 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
23 persons are living at the time such payment falls due, otherwise to the retiree's legal  
24 representative."

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

26 "(3) Should any member in any period of six consecutive years after becoming a  
27 member be absent from service more than five years, or should he withdraw  
28 his accumulated contributions, or should he become a beneficiary or die, he  
29 shall thereupon cease to be a member: Provided that on and after July 1,  
30 1967, should any member in any period of eight consecutive years after  
31 becoming a member be absent from service more than seven years, or should  
32 he withdraw his accumulated contributions, or should he become a  
33 beneficiary or die, he shall thereupon cease to be a member; provided further  
34 that the period of absence from service shall be computed from January 1,  
35 1962, or later date of separation for any member whose contributions were  
36 not withdrawn prior to July 1, 1967: Provided that on and after July 1, 1971,  
37 a member shall cease to be a member only if he withdraws his accumulated  
38 contributions, or becomes a beneficiary, or dies.

39 Notwithstanding the foregoing, any persons whose membership was  
40 terminated under the provisions set forth above who had five or more years  
41 of creditable service and had not effected a return of contributions may elect  
42 to receive a retirement allowance on or after age 60; provided that this  
43 member may retire only upon electronic submission or written application to  
44 the Board of Trustees setting forth at which time, not less than 30 days nor  
45 more than 90 days subsequent to the execution and filing, he desires to be  
46 retired."

47 **SECTION 12.(b)** G.S. 135-3(8), as amended by Section 8(a) of this act, reads as  
48 rewritten:

49 "(8) The provisions of this subsection (8) shall apply to any member whose  
50 membership is terminated on or after July 1, 1963 and who becomes entitled  
51 to benefits hereunder in accordance with the provisions hereof.

- 1 a. Notwithstanding any other provision of this Chapter, any member  
2 who separates from service prior to the attainment of the age of 60  
3 years for any reason other than death or retirement for disability as  
4 provided in G.S. 135-5(c), after completing 15 or more years of  
5 creditable service, and who leaves his total accumulated  
6 contributions in said System shall have the right to retire on a  
7 deferred retirement allowance upon attaining the age of 60 years;  
8 provided that such member may retire only upon electronic  
9 submission or written application to the Board of Trustees setting  
10 forth at what time, not less than one day nor more than 90 days  
11 subsequent to the execution and filing thereof, he desires to be  
12 retired; and further provided that in the case of a member who so  
13 separates from service on or after July 1, 1967, or whose account is  
14 active on July 1, 1967, or has not withdrawn his contributions, the  
15 aforestated requirement of 15 or more years of creditable service  
16 shall be reduced to 12 or more years of creditable service; and further  
17 provided that in the case of a member who so separates from service  
18 on or after July 1, 1971, or whose account is active on July 1, 1971,  
19 the aforestated requirement of 12 or more years of creditable service  
20 shall be reduced to five or more years of creditable service. Such  
21 deferred retirement allowance shall be computed in accordance with  
22 the service retirement provisions of this Article pertaining to a  
23 member who is not a law enforcement officer or an eligible former  
24 law enforcement officer. Notwithstanding the foregoing, any member  
25 whose services as a teacher or employee are terminated for any  
26 reason other than retirement, who becomes employed by a nonprofit,  
27 nonsectarian private school in North Carolina below the college level  
28 within one year after such teacher or employee has ceased to be a  
29 teacher or employee, may elect to leave his total accumulated  
30 contributions in the Teachers' and State Employees' Retirement  
31 System during the period he is in the employment of such employer;  
32 provided that he files notice thereof in writing with the Board of  
33 Trustees of the Retirement System within five years after separation  
34 from service as a public school teacher or State employee; such  
35 member shall be deemed to have met the requirements of the above  
36 provisions of this subdivision upon attainment of age 60 while in  
37 such employment provided that he is otherwise vested.
- 38 b. In lieu of the benefits provided in paragraph a of this subdivision (8),  
39 any member who separates from service prior to the attainment of the  
40 age of 60 years, for any reason other than death or retirement for  
41 disability as provided in G.S. 135-5(c), after completing 20 or more  
42 years of creditable service, and who leaves his total accumulated  
43 contributions in said System, may elect to retire on an early  
44 retirement allowance upon attaining the age of 50 years or at any  
45 time thereafter; provided that such member may so retire only upon  
46 electronic submission or written application to the Board of Trustees  
47 setting forth at what time, not less than one day nor more than 90  
48 days subsequent to the execution and filing thereof, he desires to be  
49 retired. Such early retirement allowance so elected shall be equal to  
50 the deferred retirement allowance otherwise payable at the attainment

of the age of 60 years reduced by the percentage thereof indicated below.

Age at Retirement	Percentage Reduction
59	7
58	14
57	20
56	25
55	30
54	35
53	39
52	43
51	46
50	50

b1. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law-enforcement officer at the time of separation from service prior to the attainment of the age of 50 years, for any reason other than death or disability as provided in this Article, after completing 15 or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System may elect to retire on a deferred early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided, that the member may commence retirement only upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred early retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law-enforcement officers.

b2. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law-enforcement officer at the time of separation from service prior to the attainment of the age of 55 years, for any reason other than death or disability as provided in this Article, after completing five or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System may elect to retire on a deferred early retirement allowance upon attaining the age of 55 years or at any time thereafter; provided, that the member may commence retirement only upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred early retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law-enforcement officers.

b3. Vested deferred retirement allowance of members retiring on or after July 1, 1994. – In lieu of the benefits provided in paragraphs a. and b. of this subdivision, any member who separates from service prior to

1 attainment of age 60 years, after completing 20 or more years of  
2 creditable service, and who leaves his total accumulated  
3 contributions in said System, may elect to retire on a deferred  
4 retirement allowance upon attaining the age of 50 years or any time  
5 thereafter; provided that such member may so retire only upon  
6 electronic submission or written application to the Board of Trustees  
7 setting forth at what time, not less than one day nor more than 90  
8 days subsequent to the execution and filing thereof, he desires to be  
9 retired. Such deferred retirement allowance shall be computed in  
10 accordance with the service retirement provisions of this Article  
11 pertaining to a member who is not a law enforcement officer or an  
12 eligible former law enforcement officer.

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

35 The computation of postretirement earnings of a beneficiary  
36 under this sub-subdivision, who retired on or before October 1, 2007,  
37 and who has been retired at least six months and has not been  
38 employed in any capacity with a public school for at least six months  
39 immediately preceding the effective date of reemployment, shall not  
40 include earnings while the beneficiary is employed to teach in a  
41 permanent full-time or part-time capacity that exceeds fifty percent  
42 (50%) of the applicable workweek in a public school. The  
43 Department of Public Instruction shall certify to the Retirement  
44 System that a beneficiary is employed to teach by a local school  
45 administrative unit under the provisions of this sub-subdivision and  
46 as a retired teacher as the term is defined under the provisions of  
47 G.S. 115C-325(a)(5a).

48 The computation of postretirement earnings of a beneficiary  
49 under this sub-subdivision, who retired after October 1, 2007, after  
50 attaining (i) the age of at least 65 with five years of creditable  
51 service; or (ii) the age of at least 60 with 25 years of creditable



1 service; or (iii) 30 years of service; and who has been retired at least  
2 six months and has not been employed in any capacity with a public  
3 school for at least six months immediately preceding the effective  
4 date of reemployment, shall not include earnings while the  
5 beneficiary is employed to teach in a permanent full-time or  
6 part-time capacity that exceeds fifty percent (50%) of the applicable  
7 workweek in a public school. The Department of Public Instruction  
8 shall certify to the Retirement System that a beneficiary is employed  
9 to teach by a local school administrative unit under the provisions of  
10 this sub-subdivision and as a retired teacher as the term is defined  
11 under the provisions of G.S. 115C-325(a)(5a).

12 Beneficiaries employed under this sub-subdivision are not  
13 entitled to any benefits otherwise provided under this Chapter as a  
14 result of this period of employment.

15 c1. Employers shall report each reemployment covered by the provisions  
16 of sub-subdivision c. of this subdivision within 90 days of the  
17 reemployment, including the nature of the reemployment, the date of  
18 the reemployment, and the compensation. If such a report is not  
19 received within the required 90 days, the Board shall assess the  
20 employer with a penalty of one percent (1%) per month with a  
21 minimum penalty of twenty-five dollars (\$25.00).

22 d. Should a beneficiary who retired on an early or service retirement  
23 allowance under this Chapter be restored to service as an employee  
24 or teacher, then the retirement allowance shall cease as of the first of  
25 the month following the month in which the beneficiary is restored to  
26 service and the beneficiary shall become a member of the Retirement  
27 System and shall contribute thereafter as allowed by law at the  
28 uniform contribution payable by all members.

29 Upon his subsequent retirement, he shall be paid a retirement  
30 allowance determined as follows:

- 31 1. For a member who earns at least three years' membership  
32 service after restoration to service, the retirement allowance  
33 shall be computed on the basis of his compensation and  
34 service before and after the period of prior retirement without  
35 restrictions; provided, that if the prior allowance was based  
36 on a social security leveling payment option, the allowance  
37 shall be adjusted actuarially for the difference between the  
38 amount received under the optional payment and what would  
39 have been paid if the retirement allowance had been paid  
40 without optional modification.
- 41 2. For a member who does not earn three years' membership  
42 service after restoration to service, the retirement allowance  
43 shall be equal to the sum of the retirement allowance to which  
44 he would have been entitled had he not been restored to  
45 service, without modification of the election of an optional  
46 allowance previously made, and the retirement allowance that  
47 results from service earned since being restored to service;  
48 provided, that if the prior retirement allowance was based on  
49 a social security leveling payment option, the prior allowance  
50 shall be adjusted actuarially for the difference between the  
51 amount that would have been paid for each month had the

1 payment not been suspended and what would have been paid  
2 if the retirement allowance had been paid without optional  
3 modification.

- 4 e. Any beneficiary who retired on an early or service retirement  
5 allowance as an employee of any State department, agency or  
6 institution under the Law Enforcement Officers' Retirement System  
7 and becomes employed as an employee by a State department,  
8 agency, or institution as an employer participating in the Retirement  
9 System shall become subject to the provisions of G.S. 135-3(8)c and  
10 G.S. 135-3(8)d on and after January 1, 1989."

11 **SECTION 12.(c)** G.S. 135-5(a), as amended by Sections 3(a) and 3(b) of this act,  
12 reads as rewritten:

13 "(a) Service Retirement Benefits. –

- 14 (1) Any member may retire upon electronic submission or written application to  
15 the Board of Trustees setting forth at what time, as of the first day of a  
16 calendar month, not less than one day nor more than 120 days subsequent to  
17 the execution of and filing thereof, he desires to be retired: Provided, that the  
18 said member at the time so specified for his retirement shall have attained  
19 the age of 60 years and have at least five years of membership service or  
20 shall have completed 30 years of creditable service.
- 21 (2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.
- 22 (3) Any member who was in service October 8, 1981, who had attained 60 years  
23 of age, may retire upon electronic submission or written application to the  
24 Board of Trustees setting forth at what time, as of the first day of a calendar  
25 month, not less than one day nor more than 120 days subsequent to the  
26 execution and filing thereof, he desires to be retired.
- 27 (4) Any member who is a law-enforcement officer, and who attains age 50 and  
28 completes 15 or more years of creditable service in this capacity or who  
29 attains age 55 and completes five or more years of creditable service in this  
30 capacity, may retire upon electronic submission or written application to the  
31 Board of Trustees setting forth at what time, as of the first day of a calendar  
32 month, not less than one day nor more than 120 days subsequent to the  
33 execution and filing thereof, he desires to be retired; Provided, also, any  
34 member who has met the conditions herein required but does not retire, and  
35 later becomes a teacher or an employee other than as a law-enforcement  
36 officer shall continue to have the right to commence retirement.
- 37 (5) Any member who is eligible for and is being paid a benefit under the  
38 Disability Income Plan as provided in G.S. 135-105 or G.S. 135-106 shall be  
39 deemed a member in service and may not retire under the provisions of this  
40 section. Any member who has made electronic submission or written  
41 application for long-term or extended short-term benefits under the  
42 Disability Income Plan as provided in G.S. 135-105 or G.S. 135-106, and  
43 who has been rejected by the Plan's Medical Board for a long-term or  
44 extended short-term benefit shall have 90 days from the date of notification  
45 of the rejection to convert his application to an early or service retirement  
46 application, provided that the member meets the eligibility requirements,  
47 effective the first day of the month following the month in which short-term  
48 disability benefits ended or the first day of the month following the month in  
49 which any salary continuation as may be provided in G.S. 135-104 ended,  
50 whichever is later."

1           **SECTION 12.(d)** G.S. 135-5(a1), as amended by Section 3(c) of this act, reads as  
2 rewritten:

3           "(a1) Early Service Retirement Benefits. – Any member may retire and receive a reduced  
4 retirement allowance upon electronic submission or written application to the Board of Trustees  
5 setting forth at what time, as of the first day of a calendar month, not less than one day nor  
6 more than 120 days subsequent to the execution of and filing thereof, he desires to be retired:  
7 Provided, that the said member at the time so specified for his retirement shall have attained the  
8 age of 50 years and have at least 20 years of creditable service."

9           **SECTION 12.(e)** G.S. 128-24(4), as amended by Section 3(g) of this act, reads as  
10 rewritten:

11           "(4) The provisions of this subdivision (4) shall apply to any member whose  
12 retirement became effective prior to July 1, 1965, and became entitled to  
13 benefits hereunder in accordance with the provisions hereof. Such benefits  
14 shall be computed in accordance with the provisions of G.S. 128-27(b1) as  
15 in effect at the date of such separation from service.

16           a. Notwithstanding any other provision of this Chapter, any member  
17 who separates from service prior to the time he shall have attained  
18 the age of 60 years, or if a uniformed policeman or fireman prior to  
19 the time he shall have attained the age of 55 years, for any reason  
20 other than death or retirement for disability as provided in  
21 G.S. 128-27(c), after completing 20 or more years of creditable  
22 service, and who leaves his total accumulated contributions in the  
23 Retirement System, shall have the right to retire on a deferred  
24 retirement allowance upon the date he shall have attained the age of  
25 60 years, or if a uniformed policeman or fireman upon the date he  
26 shall have attained the age of 55 years; provided that such member  
27 may retire only upon electronic submission or written application to  
28 the Board of Trustees setting forth at what time, not less than 30 days  
29 nor more than 120 days next following the date of filing such  
30 application, he desires to be retired. Such deferred retirement  
31 allowance shall be computed in accordance with the provisions of  
32 G.S. 128-27(b), paragraphs (1), (2) and (3).

33           b. In lieu of the benefits provided in paragraph a of this subdivision (4),  
34 any member who separates from service prior to the time he shall  
35 have attained the age of 60 years, or if a uniformed policeman or  
36 fireman prior to the time he shall have attained the age of 55 years,  
37 for any reason other than death or retirement for disability as  
38 provided in G.S. 128-27(c), after completing 30 or more years of  
39 creditable service, and who leaves his total accumulated  
40 contributions in the Retirement System, may elect to retire on an  
41 early retirement allowance; provided that such a member may so  
42 retire only upon electronic submission or written application to the  
43 Board of Trustees setting forth at what time, not less than 30 days nor  
44 more than 120 days next following the date of filing such application,  
45 he desires to be retired; provided further that such application shall  
46 be duly filed within 60 days following the date of such separation.  
47 Such early retirement allowance so elected shall be the actuarial  
48 equivalent of the deferred retirement allowance otherwise payable at  
49 the attainment of age 60 years, or if a uniformed policeman or  
50 fireman at the attainment of age 55 years, upon proper application  
51 therefor.

- 1 c. Should an employee who retired on an early or service retirement  
2 allowance be restored to service prior to the time he shall have  
3 attained the age of 62 years, or if a uniformed policeman or fireman  
4 prior to the time he shall have attained the age of 55 years, his  
5 allowance shall cease, he shall again become a member of the  
6 Retirement System, and he shall contribute thereafter at the uniform  
7 contribution rate for his class member. Upon his subsequent  
8 retirement, he shall be entitled to an allowance not less than the  
9 allowance described in 1 below reduced by the amount in 2 below.
- 10 1. The allowance to which he would have been entitled if he  
11 were retiring for the first time, calculated on the basis of his  
12 total creditable service represented by the sum of his  
13 creditable service at the time of his first retirement, and his  
14 creditable service after he was restored to service.
- 15 2. The actuarial equivalent of the retirement benefits he  
16 previously received.
- 17 d. Should an employee who retired on an early or service retirement  
18 allowance be restored to service after the attainment of the age of 62  
19 years, his retirement allowance shall be reduced to the extent  
20 necessary (if any) so that the sum of the retirement allowance at the  
21 time of retirement and earnings from employment by a unit of the  
22 Retirement System for any year (beginning January 1 and ending  
23 December 31) will not exceed the member's compensation received  
24 for the 12 months of service prior to retirement. Provided, however,  
25 that under no circumstances will the member's retirement allowance  
26 be reduced below the amount of his annuity as defined in  
27 G.S. 128-21(3)."

28 **SECTION 12.(f)** G.S. 128-24(5), as amended by Sections 3(h) and 8(b) of this act,  
29 reads as rewritten:

- 30 "(5) The provisions of this subdivision (5) shall apply to any member whose  
31 membership is terminated on or after July 1, 1965, and who becomes entitled  
32 to benefits hereunder in accordance with the provisions hereof.
- 33 a. Notwithstanding any other provision of this Chapter, any member  
34 who separates from service prior to the attainment of the age of 60  
35 years for any reason other than death or retirement for disability as  
36 provided in G.S. 128-27(c), after completing 15 or more years of  
37 creditable service, and who leaves his total accumulated  
38 contributions in said System shall have the right to retire on a  
39 deferred retirement allowance upon attaining the age of 60 years;  
40 provided that such member may retire only upon electronic  
41 submission or written application to the Board of Trustees setting  
42 forth at what time, not less than one day nor more than 120 days  
43 subsequent to the execution and filing thereof, he desires to be  
44 retired; and further provided that in the case of a member who so  
45 separates from service on or after July 1, 1967, the aforesated  
46 requirement of 15 or more years of creditable service shall be  
47 reduced to 12 or more years of creditable service; and further  
48 provided that in the case of a member who so separates from service  
49 on or after July 1, 1971, or whose account is active on July 1, 1971,  
50 the aforesated requirement of 12 or more years of creditable service  
51 shall be reduced to five or more years of creditable service. Such

deferred retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to a member who is not a law enforcement officer or eligible former law enforcement officer.

- b. In lieu of the benefits provided in paragraph a of this subdivision, any member who separates from service prior to the attainment of the age of 60 years, for any reason other than death or retirement for disability as provided in G.S. 128-27(c), after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System may elect to retire on an early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided that such member may so retire only upon electronic submission or written application to the Board of Trustees setting forth at what time, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired. Such early retirement allowance so elected shall be equal to the deferred retirement allowance otherwise payable at the attainment of the age of 60 years reduced by the percentage thereof indicated below.

Age at Retirement	Percentage Reduction
59	7
58	14
57	20
56	25
55	30
54	35
53	39
52	43
51	46
50	50

- b1. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer at the time of separation from service prior to the attainment of the age of 50 years, for any reason other than death or disability as provided in this Article, after completing 15 or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System, may elect to retire on a deferred early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided, that the member may commence retirement only upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred early retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law enforcement officers.
- b2. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer at the time of separation from service prior to the attainment of the age of

55 years, for any reason other than death or disability as provided in this Article, after completing five or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System may elect to retire on a deferred service retirement allowance upon attaining the age of 55 years or at any time thereafter; provided, that the member may commence retirement only upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred service retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law enforcement officers.

b3. Deferred retirement allowance of members retiring on or after July 1, 1995. – In lieu of the benefits provided in paragraphs a. and b. of this subdivision, any member who separates from service prior to attainment of age 60 years, after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System, may elect to retire on a deferred retirement allowance upon attaining the age of 50 years or any time thereafter; provided that such member may so retire only upon electronic submission or written application to the Board of Trustees setting forth at what time, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired. Such deferred retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to a member who is not a law enforcement officer or an eligible former law enforcement officer.

c. Should a beneficiary who retired on an early or service retirement allowance be reemployed by, or otherwise engaged to perform services for, an employer participating in the Retirement System on a part-time, temporary, interim, or on fee-for-service basis, whether contractual or otherwise, and if such beneficiary earns an amount during the 12-month period immediately following the effective date of retirement or in any calendar year which exceeds fifty percent (50%) of the reported compensation, excluding terminal payments, during the 12 months of service preceding the effective date of retirement, or twenty thousand dollars (\$20,000), whichever is greater, as hereinafter indexed, then the retirement allowance shall be suspended as of the first day of the month following the month in which the reemployment earnings exceed the amount above, for the balance of the calendar year, except when the reemployment earnings exceed the amount above in the month of December, in which case the retirement allowance shall not be suspended. The retirement allowance of the beneficiary shall be reinstated as of January 1 of each year following suspension. The amount that may be earned before suspension shall be increased on January 1 of each year by the ratio of the Consumer Price Index to the Index one year earlier, calculated to the nearest tenth of a percent (1/10 of 1%).

1 c1. Employers shall report each reemployment covered by the provisions  
2 of sub-subdivision c. of this subdivision within 90 days of the  
3 reemployment, including the nature of the reemployment, the date of  
4 the reemployment, and the compensation. If such a report is not  
5 received within the required 90 days, the Board shall assess the  
6 employer with a penalty of one percent (1%) per month with a  
7 minimum penalty of twenty-five dollars (\$25.00).

8 d. Should a beneficiary who retired on an early or service retirement  
9 allowance be restored to service as an employee, then the retirement  
10 allowance shall cease as of the first day of the month following the  
11 month in which the beneficiary is restored to service and the  
12 beneficiary shall become a member of the Retirement System and  
13 shall contribute thereafter as allowed by law at the uniform  
14 contribution payable by all members.

15 Upon his subsequent retirement, he shall be paid a retirement  
16 allowance determined as follows:

17 1. For a member who earns at least three years' membership  
18 service after restoration to service, the retirement allowance  
19 shall be computed on the basis of his compensation and  
20 service before and after the period of prior retirement without  
21 restriction; provided, that if the prior allowance was based on  
22 a social security leveling payment option, the allowance shall  
23 be adjusted actuarially for the difference between the amount  
24 received under the optional payment and what would have  
25 been paid if the retirement allowance had been paid without  
26 optional modification.

27 2. For a member who does not earn three years' membership  
28 service after restoration to service, the retirement allowance  
29 shall be equal to the sum of the retirement allowance to which  
30 he would have been entitled had he not been restored to  
31 service, without modification of the election of an optional  
32 allowance previously made, and the retirement allowance that  
33 results from service earned since being restored to service;  
34 provided, that if the prior retirement allowance was based on  
35 a social security leveling payment option, the prior allowance  
36 shall be adjusted actuarially for the difference between the  
37 amount that would have been paid for each month had the  
38 payment not been suspended and what would have been paid  
39 if the retirement allowance had been paid without optional  
40 modification."

41 **SECTION 12.(g)** G.S. 128-27(a), as amended by Section 3(i) of this act, reads as

42 rewritten:

43 "(a) Service Retirement Benefits. –

44 (1) Any member may retire upon electronic submission or written application to  
45 the Board of Trustees setting forth at what time, as of the first day of a  
46 calendar month, not less than one day nor more than 120 days subsequent to  
47 the execution and filing thereof, he desires to be retired: Provided, that the  
48 said member at the time so specified for his retirement shall have attained  
49 the age of 60 years and have at least five years of creditable service or shall  
50 have completed 30 years of creditable service, or if a fireman, he shall have  
51 attained the age of 55 years and have at least five years of creditable service.

(2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.

(3) Repealed by Session Laws 1971, c. 325, s. 12.

(4) Any member who was in service October 8, 1981, who had attained 60 years of age, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired.

(5) Any member who is a law enforcement officer, and who attains age 50 and completes 15 or more years of creditable service in this capacity or who attains age 55 and completes five or more years of creditable service in this capacity, may retire upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired; provided, also, any member who has met the conditions required by this subdivision but does not retire, and later becomes an employee other than as a law enforcement officer, continues to have the right to commence retirement."

**SECTION 12.(h)** G.S. 128-27(a1), as amended by Section 3(j) of this act, reads as rewritten:

"(a1) Early Service Retirement Benefits. – Any member may retire and receive a reduced retirement allowance upon electronic submission or written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired: Provided, that the said member at the time so specified for his retirement shall have attained the age of 50 years and have at least 20 years of creditable service."

**SECTION 12.(i)** G.S. 135-57(a) reads as rewritten:

"(a) Any member on or after January 1, 1974, who has attained his fiftieth birthday and five years of membership service may retire upon electronic submission or written application to the board of trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired."

**SECTION 12.(j)** G.S. 135-57(d), as amended by Section 3(e) of this act, reads as rewritten:

"(d) Any member who was in service October 8, 1981, who had attained 50 years of age, may retire upon electronic submission or written application to the board of trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 120 days subsequent to the execution and filing thereof, he desires to be retired."

**SECTION 12.(k)** G.S. 120-4.21(a) reads as rewritten:

"(a) Eligibility; Application. – Any member may retire with full benefits who has reached 65 years of age with five years of creditable service. Any member may retire with reduced benefits who has reached the age of 50 years with 20 years of creditable service or 60 years with five years of creditable service. The member shall make electronic submission or written application to the Board of Trustees to retire on a service retirement allowance on the first day of the particular calendar month he designates. The designated date shall be no less than one day nor more than 120 days from the filing of the application. During this period of notification, a member may separate from service without forfeiting his retirement benefits."

**SECTION 13.** This act becomes effective July 1, 2009.



**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☐ Committee Substitute for

**HB 642** A BILL TO BE ENTITLED AN ACT TO MAKE TECHNICAL CORRECTIONS AND OTHER CHANGES TO THE STATUTES GOVERNING THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, AND THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

☒ With a favorable report as to the committee substitute bill, unfavorable as to the original bill, and recommendation that the committee substitute bill be re-referred to the Committee on APPROPRIATIONS.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

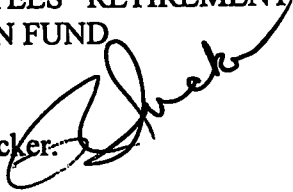
PI : BILL

0642

SESSION LAW \_\_\_\_\_

A BILL TO BE ENTITLED

AN ACT TO MAKE TECHNICAL CORRECTIONS AND OTHER CHANGES TO THE STATUTES GOVERNING THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, AND THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND

Introduced by Representative(s): Tucker 

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

Principal Clerk's Use Only

SSSED 1st READING  
MAR 18 2009  
AND REFERRED TO COMMITTEE  
Pensions & Retirement  
Law APPROPRIATIONS

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

1

## HOUSE BILL 816\*

Short Title: Clarify Local Special Separation Allowance. (Public)

Sponsors: Representatives Cotham, Dollar, McLawhorn, Weiss (Primary Sponsors); Blust, Burris-Floyd, Faison, Goodwin, Guice, Harrell, Harrison, Hurley, Insko, Jackson, Lucas, Mackey, McCormick, Neumann, Randleman, Stam, Stewart, Tarleton, Underhill, and Whilden.

Referred to: Pensions and Retirement, if favorable, Appropriations.

March 30, 2009

- A BILL TO BE ENTITLED
- AN ACT TO CLARIFY THE LAW REGARDING THE SPECIAL SEPARATION ALLOWANCE PROVIDED TO LAW ENFORCEMENT OFFICERS UNDER THE LOCAL GOVERNMENTAL RETIREMENT SYSTEM.
- The General Assembly of North Carolina enacts:
- SECTION 1** G.S. 143-166.42 reads as rewritten:
- "§ 143-166.42. Special separation allowances for local officers.**
- (a) On and after January 1, 1987, ~~the provisions of G.S. 143-166.41 shall apply to all eligible law enforcement officersevery sworn law enforcement officer~~ as defined by G.S. 128-21(11b) or G.S. 143-166.50(a)(3) ~~who are employed by a local government employers, except as may be provided by this section. As to the applicability of the provisions of G.S. 143-166.41 to locally employed officers, the governing body for each unit of local government shall be responsible for making determinations of eligibility for their local officers retired under the provisions of G.S. 128-27(a) and for making payments to their eligible officers under the same terms and conditions, other than the source of payment, as apply to each State department, agency, or institution in payments to State officers according to the provisions of G.S. 143-166.41.~~ government employer who qualifies under this section shall receive, beginning in the month in which the officer retires on a basic service retirement under the provisions of G.S. 128-27(a), an annual separation allowance equal to eighty-five hundredths percent (0.85%) of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The allowance shall be paid in equal installments on the payroll frequency used by the employer. To qualify for the allowance the officer shall:
- (1) Have (i) completed 30 or more years of creditable service or, (ii) have attained 55 years of age and completed five or more years of creditable service; and
  - (2) Not have attained 62 years of age; and
  - (3) Have completed at least five years of continuous service as a law enforcement officer as herein defined immediately preceding a service retirement. Any break in the continuous service required by this subsection because of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive the allowance, provided the officer returns to service within 45 days after the disability benefits cease and is otherwise qualified to receive the allowance.



\* H 8 1 6 - V - 1 \*

1       (b) As used in this section, "creditable service" means the service for which credit is  
2 allowed under the retirement system of which the officer is a member, provided that at least  
3 fifty percent (50%) of the service is as a law enforcement officer as herein defined.

4       (c) Payment to a retired officer under the provisions of this section shall cease at the  
5 first of:

6           (1) The death of the officer;

7           (2) The last day of the month in which the officer attains 62 years of age; or

8           (3) The first day of reemployment by a local government employer in any  
9 capacity.

10       Notwithstanding the provisions of subdivision (3) of this subsection, a local government  
11 employer may, in the interest of public safety, voluntarily adopt a policy allowing employment  
12 of retired officers on a contractual basis, or in a temporary or reserve capacity not requiring  
13 participation in the Local Governmental Employees' Retirement System, without causing the  
14 cessation of payment to those officers under this section.

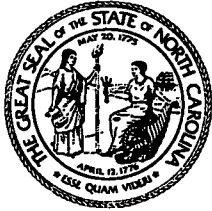
15       (d) This section does not affect the benefits to which an individual may be entitled from  
16 State, local, federal, or private retirement systems. The benefits payable under this section shall  
17 not be subject to any increases in salary or retirement allowances that may be authorized by  
18 local government employers or for retired employees of local governments.

19       (e) The head of each local employer shall determine the eligibility of employees for the  
20 benefits provided herein.

21       (f) The head of each local employer shall make the payments set forth in subsection (a)  
22 of this section to those persons certified under subsection (e) of this section from funds  
23 available."

24       **SECTION 2.** Any local government that has denied the payment of a special  
25 separation allowance to a law enforcement officer for any reason other than those authorized by  
26 G.S.143-166.42(c) as enacted by this act shall reinstate payment of that officer's special  
27 separation allowance and make any necessary back payments to rectify that denial.

28       **SECTION 3.** This act is effective when it becomes law.



# HOUSE BILL 816: Clarify Local Special Separation Allowance

2009-2010 General Assembly

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<b>Committee:</b>	House Pensions and Retirement, if favorable, Appropriations	<b>Date:</b>	April 28, 2009
<b>Introduced by:</b>	Reps. Cotham, Dollar, McLawhorn, Weiss	<b>Prepared by:</b>	Karen Cochrane-Brown
<b>Analysis of:</b>	First Edition		Committee Counsel

---

**SUMMARY:** *House Bill 816 amends the law relating to the special separation allowance paid to retired local law enforcement officers.*

[As introduced, this bill was identical to S986, as introduced by Sen. McKissick, which is currently in Senate Pensions & Retirement & Aging.]

## CURRENT LAW:

Under current law, a state law enforcement officer may be eligible for the special separation allowance upon retirement if the officer has completed 30 years of service, or is at least 55 years old and has completed five or more years of service, has not reached 62 years of age, and has completed at least five years of continuous service immediately preceding retirement.

The officer's eligibility is determined and the benefit is paid by the employer. The benefit is equal to 85% of the officer's annual base compensation for each year of creditable service. The benefit ceases upon the first of the following events:

1. The death of the officer.
2. The last day of the month in which the officer attains age 62; or
3. The first day of reemployment with a participating employer in a nonexempt position.

The statute authorizing payment of a special separation allowance to local law enforcement officers refers to the provisions of the law for state officers to set the benefit, age and service requirements.

## BILL ANALYSIS:

House Bill 816 rewrites the law relating to the special separation allowance for local law enforcement officers to mirror the provisions of the law related to state officers with regard to the benefit, and the age and service requirements necessary to qualify for the benefit.

In addition, the bill authorizes a local government employer, in the interest of public safety, to adopt a policy allowing employment of retired officers on a basis not requiring participation in the Local Retirement System. The bill also provides that the benefit is not subject to any increases in salary or retirement allowance. The head of the local employer determines eligibility for the benefit and makes payment from available funds.

Section 2 of the bill directs any local government employer that has denied the payment of a special separation allowance for any reason other than those set forth in the bill to reinstate payment and make any necessary back payments to rectify that denial.

**EFFECTIVE DATE:** This act is effective when it becomes law.

H816-SMRO-48(e1) v1



# NORTH CAROLINA GENERAL ASSEMBLY

## Legislative Services Office

George R. Hall, Legislative Services Officer

Research Division

J. Salisbury Street, Suite 619

Raleigh, NC 27603-5925

Tel. 919-733-4910 Fax 919-715-3589

Marilyn Chism

Director

April 20, 2009

### MEMORANDUM

TO: Representative Marion McLawhorn  
Representative Jennifer Weiss  
Representative Nelson Dollar  
Representative Tricia Cotham

FROM: Stanley Moore   
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 816

Re: Clarify Local Special Separation Allowance

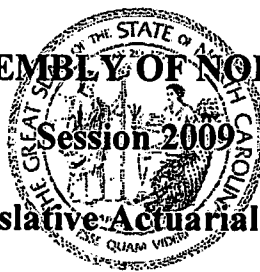
In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Representative Russell Tucker  
House Principal Clerk

#### Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates

# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 816 (First Edition)

**SHORT TITLE:** Clarify Local Special Separation Allowance.

**SPONSOR(S):** Representatives McLawhorn, Weiss, Dollar, and Cotham

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**FUNDS AFFECTED:** Funds of cities, towns and counties that have retired law enforcement officers who are receiving the Special Separation Allowance.

**SYSTEM OR PROGRAM AFFECTED:** **Special Separation Allowance**  
Present Retirement Benefits for Locally Employed Law Enforcement Officers:

All full-time permanent law enforcement officers of local governments are eligible to be members of the Local Governmental Employees' Retirement System. In order to retire on an unreduced retirement benefit, a member must meet one of the following conditions:

- (1) Age 55 with 5 years of service;
- (2) Any age with 30 years of service.

A retired law enforcement officer with 30 years of service will receive approximately 53% of salary from the Retirement System.

To qualify for the Special Separation Allowance, the officer must have completed 30 years of service or attained age 55 with 5 or more years of creditable service and be under age 62. The Special Separation Allowance pays each retiree a monthly allowance of .85% of salary for each year of creditable service. The benefit is to be paid until the earlier of the death of the officer, age 62 or the first day of re-employment by a local government employer in any capacity. A retiree with 30 years will receive a Separation Allowance equal to approximately 25% of salary.

**EFFECTIVE DATE:** When it becomes law

**BILL SUMMARY:** This bill puts into the General Statutes the benefit, age and service requirements for local law enforcement officers to receive the Special Separation Allowance. Since 1985, the benefit, age and service requirements were in the General Statutes as it related to State law enforcement officers and the General Statutes relating to local law enforcement officers said that local governments would be responsible for determining eligibility and making payments to the retired local law enforcement officers under the same conditions as for retired State law enforcement officers.

Over the years, there have been conflicting opinions as to the intent of the law mainly as a result of some changes in law relating to State law enforcement officers and employment practices by local governments. This resulted in local governments interpreting the law differently and making rules

relating to their retirees. Determination of eligibility and payment of benefits, therefore, varied from local government to local government.

The bill establishes the Special Separation Allowance of 0.85% of base rate of compensation for each year of creditable service. To qualify, the officer must have completed 30 years of service or attained age 55 with 5 or more years of creditable service and be under age 62. The benefit is to be paid until the earlier of the death of the officer, age 62 or the first day of re-employment by a local government employer in any capacity.

However, the bill allows for the continuation of payment of the Special Separation Allowance, if local governments, in the interest of public safety, adopt a policy allowing for the reemployment of retired officers on a temporary, contractual or reserve basis that would not require membership in the Local Governmental Employees' Retirement System. The bill also requires retroactive payment of Separation Allowance if any local government has denied payment for any reason other than is allowed for in this act.

#### **ESTIMATED IMPACT ON LOCAL GOVERNMENTS:**

The Retirement System Actuary, Buck Consultants estimates that this bill will not increase the unfunded actuarial accrued liability or the contribution rate to the Local Governmental Employees' Retirement System.

However, there is a cost to local government units in continuing Special Separation Allowance payments to retirees whose benefits are not suspended due to this legislation.

Retirement System Actuary: Buck Consultants estimates the annual cost for every 50 law enforcement officers that retire during 2009 to be as follows:

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Separation Allow.	\$277,000	\$540,000	\$517,000	\$495,000	\$469,000

General Assembly Actuary: Hartman & Associates could not provide a cost estimate due to no data but states that the bill will create some cost to the Local Governmental Employees' Retirement System as a result of members, who could retire immediately and return to work on contract or temporary employment without the suspension of the Special Separation Allowance.

#### **ASSUMPTIONS AND METHODOLOGY: Local Governmental Employees' Retirement System**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2007 actuarial valuation of the fund. The data included 127,959 active members with an annual payroll of \$4.75 billion, 42,408 retired members in receipt of annual pensions totaling \$689.4 million, and actuarial value of assets equal to \$16.8 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables, (tables are set forward three years for males, set forward two years for females and set forward two years for the beneficiaries of deceased members and special mortality tables are used for period after disability retirement), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost



and frozen accrued liability. Gains and losses are reflected in the normal rate. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** There is not an actuary that has the responsibility to oversee the Special Separation Allowance, since hundreds of local governments are responsible for determining eligibility and for the payment of benefits. So, we used the Retirement System Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates to estimate the cost and results of this bill since they have data on active members and retirees of the System.

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION: (919) 733-4910.** The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**PREPARED BY:** Stanley Moore

**APPROVED BY: Marilyn Chism, Director**  
**Fiscal Research Division**

**DATE:** April 20, 2009



Signed Copy Located in the NCGA Principal Clerk's Offices



April 8, 2009

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: House Bill 816 / Senate Bill 986**

Dear Mr. Vanderweide:

We have received your letter of April 6 regarding House Bill 816, which is equivalent to Senate Bill 986 and which affects the Local Governmental Employees' Retirement System (LGERS).

This proposed legislation amends G.S. 143-166.42 and appears to clarify that local special separation allowances only cease upon the earlier of the death of the officer, attainment of age 62, or reemployment by a local government. Currently, determinations of eligibility are made by each local government and some local governments suspend the special separation allowance upon reemployment by the state or federal government. This proposed legislation would forbid suspension for state or federal employment. This proposed legislation also allows local governments to establish policies allowing reemployment with local governments that does not require participation in LGERS. This proposed legislation is effective when it becomes law.

Based on the results of the December 31, 2007 valuation, the impact of this proposed legislation on the unfunded actuarial accrued liability and contribution rates for LGERS would not be material.

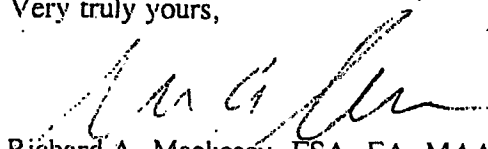
Although there would be no cost to LGERS for this proposed legislation, there would be additional cost to the Local Government Units. Based on the assumptions and data used for the December 31, 2007 valuation, a 10-year projection of the increase in the special separation allowances for every 50 retired members who retire in 2009 and whose special separation allowance is not suspended due to this proposed legislation is attached.

Our cost estimate for this proposed change is based on the December 31, 2007 valuations of LGERS and does not reflect the asset experience that occurred during 2008. The asset experience that occurred during 2008 will result in a significant increase in the required contribution for the 2010-2011 fiscal year.

I am an Enrolled Actuary, a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, FSA, EA, MAAA  
Principal, Consulting Actuary

RAM:km  
\\NC\COR\90407RM2.DOC

## North Carolina Retirement Systems Division

### Impact on Special Separation Allowances Payable to Law Enforcement Officers Covered by the Local Governmental Employees' Retirement System (LGERS) Due to House Bill 816 / Senate Bill 986

<u>Year</u>	<u>Additional Special Separation Allowance</u>
2009	\$ 277,000
2010	540,000
2011	517,000
2012	495,000
2013	469,000
2014	439,000
2015	376,000
2016	281,000
2017	215,000
2018	174,000
2019	128,000

April 8, 2009

# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

April 7, 2009

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: House Bill 816: An Act to Clarify the Law Regarding the Special Separation Allowance  
for Law Enforcement Officers Who Are Members of the LGERS

Dear Mr. Moore:

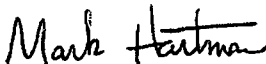
This bill amends G.S. 143-166.42 to clarify the provisions to receive the separation allowance for law enforcement officers under the Local Governmental Employees' Retirement System (LGERS). A law enforcement officer in the LGERS receives a special separation allowance, payable from his retirement until attainment of age 62, provided the officer retired after completion of 30 years of service or after attainment of age 55 and completion of 5 years of service. The allowance equals 0.85% of his most recent base rate of compensation for each year of creditable service. The allowance is suspended if the officer is reemployed by a local government employer.

This bill provides that a local government employer may voluntarily adopt a policy allowing employment of retired officers on a contractual basis or in service not requiring participation in the LGERS, without causing the separation allowance to cease. This act is effective when it becomes law.

This bill may create a cost to the LGERS by accelerating the retirement of members who could retire and immediately return to contract or temporary employment without losing the separation allowance. Retirement benefits would be payable at a lower rate but for a longer period of time than if the employee continued in active service, and the period of time over which these benefits are funded would be shortened. This creates a cost to the LGERS. However, we do not have any data to estimate the number of officers who could be reemployed, the terms of the reemployment, or the number of local governments who may adopt this voluntary policy, so no cast estimate is provided.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☐ Committee Substitute for

**HB 816**      A BILL TO BE ENTITLED AN ACT TO CLARIFY THE LAW REGARDING THE SPECIAL SEPARATION ALLOWANCE PROVIDED TO LAW ENFORCEMENT OFFICERS UNDER THE LOCAL GOVERNMENTAL RETIREMENT SYSTEM.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on APPROPRIATIONS.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ The bill/resolution is re-referred to the Committee on \_\_\_\_\_.

PUBLIC BILL

0816

H.B. \_\_\_\_\_

SESSION LAW \_\_\_\_\_

A BILL TO BE ENTITLED

AN ACT TO CLARIFY THE LAW REGARDING THE SPECIAL SEPARATION ALLOWANCE PROVIDED TO LAW ENFORCEMENT OFFICERS UNDER THE LOCAL GOVERNMENTAL RETIREMENT SYSTEM.

Introduced by Representative(s) JAC Cotham, Dollar, McLawhorn, Weiss (Primary Sponsors), Guice, Harrell,  
Harrison, Jackson, Randieman, Stam, and Stewart. RS

Randerson McComick Blust Mackey  
Jane Whidden Underhill Burns - Floyd  
Stam

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

Principal Clerk's Use Only

PASSED 1st READING

MAR 30 2009

AND REFERRED TO COMMITTEE

ON Pensions & Retirement

Gov APPROPRIATIONS

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

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2

**HOUSE BILL 1221  
Committee Substitute Favorable 4/22/09**

Short Title: Develop Employee Benefits Statement.

(Public)

Sponsors:

Referred to:

April 9, 2009

A BILL TO BE ENTITLED

AN ACT DIRECTING THE OFFICE OF STATE PERSONNEL, DEPARTMENT OF PUBLIC INSTRUCTION, NORTH CAROLINA COMMUNITY COLLEGES, AND THE UNIVERSITY OF NORTH CAROLINA TO DEVELOP AN EMPLOYEE BENEFITS STATEMENT THAT REFLECTS THE CURRENT VALUE OF EMPLOYEE BENEFITS PROVIDED TO STATE, PUBLIC SCHOOL, AND COMMUNITY COLLEGE EMPLOYEES.

The General Assembly of North Carolina enacts:

**SECTION 1.** The Office of State Personnel, Department of Public Instruction, North Carolina Community Colleges, and the University of North Carolina shall conduct a study on development of an employee benefits statement that reflects the current value of employee benefits provided to active State employees, public school employees, and community college employees. For the purposes of this act, the term "benefits statement" means a document showing an employee's total compensation, including all cash income, and the value of all employee benefits.

**SECTION 2.** The personalized benefits statement developed for individual State employees, public school employees, and community college employees must include a determination of at least the value of:

- (1) Employee and dependent coverage under the State Health Plan for Teachers and State Employees.
- (2) Employee and survivors coverage under the Teachers' and State Employees' Retirement System.

**SECTION 3.** The Office of State Personnel, Department of Public Instruction, North Carolina Community Colleges, and the University of North Carolina shall submit an interim report to the General Assembly and to the Fiscal Research Division on or before December 31, 2009, and a detailed written report on the development of the employee benefits statement, including a recommended implementation schedule and an estimate of the costs of any information technologies or modifications necessary to generate the statements on or before June 30, 2010.

**SECTION 4.** This act is effective when it becomes law.



\* H 1 2 2 1 - V - 2 \*





# HOUSE BILL 1221: Develop Employee Benefits Statement

2009-2010 General Assembly

<b>Committee:</b>	House Pensions and Retirement	<b>Date:</b>	April 28, 2009
<b>Introduced by:</b>	Reps. Folwell, Crawford, Gibson, Avila	<b>Prepared by:</b>	Theresa Matula
<b>Analysis of:</b>	Second Edition		Committee Staff

**SUMMARY:** *House Bill 1221 requires the Office of State Personnel, Department of Public Instruction, North Carolina Community Colleges, and the University of North Carolina, to conduct a study and to submit an interim and a final report to the General Assembly regarding the implementation of employee benefits statements reflecting the value of benefits provided to State, public school, and community college employees.*

## BILL ANALYSIS:

**Section 1** of the House Bill 1221 requires the Office of State Personnel, Department of Public Instruction, North Carolina Community Colleges, and University of North Carolina, to conduct a study on the development of personalized employee benefits statements for State, public school, and community college employees. The benefits statement would include an employee's total compensation, including all cash income, and the value of employee benefits.

**Section 2** requires the benefits statement, at a minimum, to include the value of:

- Employee and dependent coverage under the State Health Plan for Teachers and State Employees.
- Employee and survivors coverage under the Teachers' and State employees' Retirement System.

**Section 3** requires the Office of State Personnel, Department of Public Instruction, North Carolina Community Colleges and the University of North Carolina to submit and interim report to the General Assembly and the Fiscal Research Division on or before December 31, 2009, and a detailed written report on the development of the employee benefits statement, including a recommended implementation schedule and an estimate of the costs of any information technologies or modifications necessary to generate the statements on or before June 30, 2010.

## EFFECTIVE DATE:

House Bill 1221 would become effective when it becomes law.

H1221-SMSH-85(e2) v2

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☐ Committee Substitute for

**HB 1221**            A BILL TO BE ENTITLED AN ACT DIRECTING THE OFFICE OF STATE PERSONNEL, DEPARTMENT OF PUBLIC INSTRUCTION, NORTH CAROLINA COMMUNITY COLLEGES, AND THE UNIVERSITY OF NORTH CAROLINA TO DEVELOP AN EMPLOYEE BENEFITS STATEMENT THAT REFLECTS THE CURRENT VALUE OF EMPLOYEE BENEFITS PROVIDED TO STATE, PUBLIC SCHOOL, AND COMMUNITY COLLEGE EMPLOYEES.

☒ With a favorable report.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of \_\_\_\_\_.

*Little change*

PUBLIC BILL

Proposed Committee Substitute For  
H.B. 1221

SESSION LAW

A BILL TO BE ENTITLED

AN ACT DIRECTING THE OFFICE OF STATE PERSONNEL, DEPARTMENT OF PUBLIC INSTRUCTION, NORTH CAROLINA COMMUNITY COLLEGES, AND THE UNIVERSITY OF NORTH CAROLINA TO DEVELOP AN EMPLOYEE BENEFITS STATEMENT THAT REFLECTS THE CURRENT VALUE OF EMPLOYEE BENEFITS PROVIDED TO STATE, PUBLIC SCHOOL, AND COMMUNITY COLLEGE EMPLOYEES.

Introduced by Representative(s): *Folwell, Crawford, Gibson & Civia*  
*(primary sponsors)*

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

pal Clerk's Use Only

ie Committee on *St. Govt / St Personnel*  
majority being present, having considered  
is bill, recommend that it do ☒ pass

*Rep. Wiehman*  
For the Committee

is re-referred to the  
committee on Pensions  
& Retirement

FAVORABLE TO COMM. SUB  
UNFAVORABLE TO BILL

APR 22 2009

**TITLE CHANGE**

AND PLACED ON  
CALENDAR FOR

*re-ref to Pensions & Ret*

House Pages

PENSIONS & RETIREMENT

Name of Committee: \_\_\_\_\_

Date: \_\_\_\_\_

4/29/04

1. Name: Charles Marsh

County: Cabarrus

Sponsor: Rep. Jeff Barnhart

2. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

4. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

5. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

Sgt.-At-Arms

Name: Reggie Sills

1. Name: John Brandon

3. Name: \_\_\_\_\_

4. Name: \_\_\_\_\_

## VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

April 29, 2009

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Tom Younce	NC Association of Chiefs Police
JOHN MIDGETTE	NC PBA
Patricia Murray	Winston-Salem Police Dept.
Joyce Plouff	
Kevin Clodfelter	Kernersville Police Department
David Vanderweide	NC DST
Michael Williams	NC DST
PAT GERRICK	NC DST
Ed Regan	NCRGEA
Paul Meyer	NCCM
Matthew	NCPBA - Cary Chapter

# VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

April 29, 2009

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Andrew Chilton	NC PBA State LEO Chapter
Randy Byrd	NC PBA
Sheyna Alterovitz	AIARP
David Starling	NCDST
Kim Burch	NCBA
Penny Huffer	School of Gov.
Patrice Reeder	MeACC
Jeff Gray	FOP
Joe Hartsch	I. Baren + asst.
Jay Chaudhuri	NCDST
RON OTTAUO	NCDST
Dennis Patterson	OSA

## VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

April 29, 2009

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Amy McConkey	Smith Anderson
Pam Deardorff	NC Retired School Personnel
Lori Strickland	NC PBA
Justin Guthrie	NC PBA
MIRE PERKINS	NC PBA
JASON THOMPSON	NC PBA
Mitch Leonard	SEANC
Ardis Watkins	SEANC
✓ Jack Cozart	Wamble



North Carolina General Assembly  
**House Committee on Pensions & Retirement**

**MINUTES**

~

Wednesday, May 6, 2009

The House Committee on Pensions and Retirement met Wednesday, May 6, 2009 at 10:00 AM in Room 415 of the Legislative Office Building. The following members were present: Representative Tucker, Chair, Representatives Bell, Folwell, Holloway, Hurley and McGee, Vice Chairs and Representatives McLawhorn, Ross and Tolson. Eleven visitors attended and a visitor's registration sheet is attached as part of these minutes.

The Chair called the meeting to order and asked the Page Jeremy Strickland from Sampson County to introduce himself. His sponsor was Representative Lewis. Sergeant-at-Arms assisting with the meeting were Reggie Sills and Michael Martin.

The Chair called on Representative Underhill to present **HB 751 - AN ACT TO AUTHORIZE THE COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY TO ENROLL ITS EMPLOYEES AND RETIREES IN THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES.** (*Attachment #1*). Representative Underhill explained the bill. She introduced Allen Hardison with the Coastal Regional Solid Waste Management Authority and said he would be available to answer any questions. Mark Trogon from Fiscal Research assisted with explaining the bill. After questions and discussion, Representative Tolson moved for a favorable report and re-refer to the Committee on Appropriations. Motion carried.

Representative Lewis was recognized to present **HB 1073 - AN ACT TO PROVIDE THAT MEMBERS OF THE FIRE AND RESCUE PENSION FUND WHO WITHDRAW FROM MEMBERSHIP ARE ENTITLED TO THE RETURN OF ALL FUNDS.** (*Attachment #2*). Representative Lewis asked Stanley Moore, Fiscal Research Staff to explain the bill for him as he had to go present a bill in another committee. Mr. Moore said this bill allows any member withdrawing funds to



receive all contributions that the individual made and to receive any made on his behalf. The Chair asked Staff to look at HB1142 for comparison. After questions and discussion, it was recommended that the bill be passed without prejudice and have Staff work with Appropriations and bill sponsors of H1073 and H1142 to work things out with a PCS. Representative Tolson moved to approve the bill without prejudice and be re-referred to the Committee on Appropriations. Motion passed.

There being no further business, the Chair adjourned the meeting at 10:36 A.M.

Respectfully submitted,

  
Representative Russell Tucker, Chair

  
Sally Gillis, Committee Assistant

# **AGENDA**

## **HOUSE COMMITTEE ON PENSIONS AND RETIREMENT**

**Wednesday, May 6, 2009**

**Room 415 LOB**

**10:00 A.M.**

### **OPENING REMARKS**

**HB 751      REGIONAL SOLID WASTE AUTHORITY/ST. HLTH PLAN**  
**Representatives Underhill and Wainright**

**HB 1073    FIRE AND RESCUE PENSION WITHDRAWAL CHANGE**  
**Representative Lewis**

### **ADJOURNMENT**

**NORTH CAROLINA HOUSE OF REPRESENTATIVES  
COMMITTEE MEETING NOTICE  
AND  
BILL SPONSOR NOTIFICATION  
2009-2010 SESSION**

You are hereby notified that the Committee on **Pensions and Retirement** will meet as follows:

**DAY & DATE:**        **Wednesday, MAY 6, 2009**

**TIME:**                **10:00 A.M.**

**LOCATION:**          **Room 415 LOB**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

<u>Bill #</u>	<u>Short Title</u>	<u>Sponsor</u>
<b>HB 751</b>	<b>REGIONAL SOLID WASTE AUTHORITY/ ST.HLTH PLAN.</b>	<b>Representative Underhill Representative Wainwright</b>
<b>HB 1073</b>	<b>FIRE AND RESCUE PENSION WITHDRAWAL CHANGE</b>	<b>Representative Lewis</b>

Respectfully,

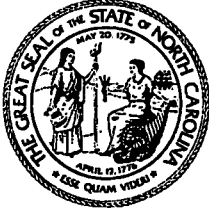
Representative Russell Tucker  
Chairman

I hereby certify this notice was filed by the committee assistant at the following offices at **11:00 a.m. on May 4 2009.**

\_\_\_\_Principal Clerk  
\_\_\_\_Reading Clerk - House Chamber

Sally Gillis, Committee Assistant





## HOUSE BILL 751: Regional Solid Waste Authority/St. Hlth Plan

2009-2010 General Assembly

<b>Committee:</b>	House Pensions and Retirement, if favorable, Appropriations	<b>Date:</b>	May 5, 2009
<b>Introduced by:</b>	Reps. Underhill, Wainwright	<b>Prepared by:</b>	Karen Cochrane-Brown
<b>Analysis of:</b>	First Edition		Committee Counsel

**SUMMARY:** *House Bill 751 would authorize the Coastal Regional Solid Waste Management Authority to participate in the State Health Plan for Teachers' and State Employees' for the purpose of providing health benefits to the Authority's employees, retirees and eligible spouses and dependent children.*

### CURRENT LAW:

S.L. 2004-124 authorized several local governments to participate in the State Health Plan for Teachers' and State Employees' (The Plan). To participate, the local government must adopt a resolution approved by The Plan and make contributions required by the The Plan. All employees and retirees, and their enrolled spouses and dependent children, must participate in disease management, case management, and all other mandatory and voluntary cost containment measures implemented by The Plan.

If a local government elects to participate, the election is irrevocable.

Currently, the following local governments are authorized to participate: Bladen County, Cherokee County, Rutherford County, Washington County, Wilkes County, and the towns of Biltmore Forest, Black Creek, Black Mountain, Blowing Rock, Forest City, Ocean Isle Beach, Sunset Beach, and Tabor City.

### BILL ANALYSIS:

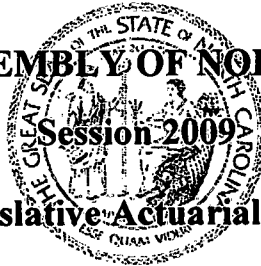
This bill would authorize Coastal Regional Solid Waste Management Authority to participate in The Plan.

**EFFECTIVE DATE:** This act becomes effective July 1, 2009.

*R. Erika Churchill, counsel to House Local Government, substantially contributed to this summary.*

H751-SMRO-71(e1) v1

# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

### HEALTH BENEFITS

**BILL NUMBER:** House Bill 751 (First Edition)

**SHORT TITLE:** Regional Solid Waste Authority/St. Hlth Plan.

**SPONSOR(S):** Representatives Wainwright and Underhill

**SYSTEM OR PROGRAM AFFECTED:** State Health Plan for Teachers and State Employees (Plan).

**FUNDS AFFECTED:** State General Fund, State Highway Fund, other State employer receipts; premium payments for dependents of active employees and retired employees of State agencies and universities, local public schools and local community colleges; premium payments for coverages selected by eligible former employees; premium payments for coverages selected by firefighters, rescue squad workers, members of the National Guard, and certain authorized local governments.

#### BILL SUMMARY:

House Bill 751 (1st edition) amends Section 31.26(j) of Session Law 2004-124 (2004 Appropriations Act), as further amended by Section 29.32 of Session Law 2005-276 (2005 Appropriations Act). Proposed legislation permits the Coastal Regional Solid Waste Management Authority with the option to become an employing unit under the Plan for the purpose of providing health benefits to the Authority' employees, retired employees, and their eligible spouses and dependent children.

If a local government elects to participate as an employer under the Plan, it must do so by legal resolution of its governing board. An irrevocable election is required by the local government if it enrolls its retired employees, and their eligible spouses and dependent children. The local government must also agree to make any premium contributions required by the Plan. All enrolled employees, retired employees, and their family members of a participating local government will be required to participate in disease management, case management, and all other cost containment measures implemented by the Plan. Employees and retired employees of local governments authorized for benefit coverage under the Plan will pay the same premium rates as those charged by the Plan for other participating active and retired employees and their dependents.

In addition, an irrevocable election by a local government to cover retired employees also requires it to make financial contributions to the Local Governmental Employees' Retirement System for the purpose of financing retired employee employees' health benefits offered under the Plan. If a local government does not participate in the Local Governmental Employees' Retirement System, but has another formally established retirement plan, and elects to cover its retired employees, it is required to make premium contributions to the Plan on behalf of its retired employees.

**EFFECTIVE DATE:** July 1, 2009

## ESTIMATED IMPACT ON STATE:

The consulting actuary for the Plan, Aon Consulting, estimates a financial impact to the Plan if Coastal Regional Solid Waste Management Authority elects to participate in the Plan. Aon Consulting estimates the Authority group would generate a mid-point loss of \$119,419 to the Plan for the 2009-2010 fiscal year assuming an average loss ratio of 149% for the Authority's participating group. In the absence of actual prior claims experience for the Authority, Aon Consulting used an estimated loss ratio to account for potential adverse selection against the Plan where the premiums charged to the group for coverage may not be sufficient to cover their respective medical claims.

Hartman & Associates, consulting actuary for the General Assembly's Fiscal Research Division, estimates that the financial impact to the Plan would not be significant if the Coastal Regional Solid Waste Management Authority elects to participate in the Plan. Hartman and Associates noted that the employee demographics of the Authority are similar to current Plan member demographics, and that given the minimal number of prospective employees to be enrolled, there is not expected to be a material impact. However, Hartman and Associates did note that prior claims experience for the Authority was not available and that adverse selection could potentially occur for this group and thereby increase costs to the Plan.

**ASSUMPTIONS AND METHODOLOGY:** The actuarial analyses used by each respective consulting actuary are on file with the Fiscal Research Division. Copies of each respective consulting actuary's analysis, including assumptions, are also attached to the original copy of this Legislative Actuarial note.

The Authority was requested to provide two years of prior medical claims related data, but their incumbent insurer declined to provide the information to the Authority since they are part of a small group health insurance pool.

The following Distribution of Participants table for the Coastal Regional Solid Waste Management Authority was used for this analysis.

Distribution of Participants -- Coastal Regional Solid Waste Management Authority

Ages	Active Employees			Dependents of Active Employees			Retired Employees			Dependents of Retired Employees		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-4			0		1	1			0			0
5-9			0	1		1			0			0
10-14			0	3	1	4			0			0
15-19			0	5	5	10			0			0
20-24	2		2			0			0			0
25-29	2	1	3			0			0			0
30-34	1		1		3	3			0			0
35-39	5		5		2	2			0			0
40-44	2	3	5			0			0			0
45-49	5	1	6	1	2	3			0			0
50-54	4	1	5		1	1			0			0
55-59	6	1	7		2	2			0			0
60-64	2		2			0			0			0
65-69		1	1			0			0			0
70-74			0			0			0			0
75-79			0			0			0			0
>79			0			0			0			0
Unknown			0			0			0			0
TOTAL	29	8	37	10	17	27	0	0	0	0	0	0

## **Summary Information and Data about the Plan**

The Plan administers health benefit coverage for active employees from employing units of State agencies and departments, universities, local public schools, and local community colleges. Eligible retired employees of authorized employing units may also access health benefit coverage under the Plan. Eligible dependents of active and retired employees are authorized to participate in the Plan provided they meet certain requirements. Employees and retired employees of selected local governments may also participate in the Plan under certain conditions. Members of fire, rescue squads, and the National Guard may also obtain coverage under the Plan provided they meet certain eligibility criteria.

As of July 1, 2008, the State finances the Plan on a self-funded basis and administers benefit coverage under a Preferred Provider Option (PPO) arrangement. The Plan's receipts are derived through premium contributions, investment earnings and other receipts. Premiums for health benefit coverage are paid by (1) employing agencies for active employees, (2) the Retiree Health Benefit Fund for retired employees, and (3) employees and retirees who elect dependent coverage. Total requirements for the Plan are estimated to be \$2.6 billion for FY 2008-09. The Plan's PPO benefit design includes three alternative benefit levels offered to plan members. The three alternative benefit levels include the following:

- 1) The "Basic" 70/30 plan that offers higher out-of pocket requirements in return for lower fully contributory dependent premiums;
- 2) The "Standard" 80/20 plan; and
- 3) The "Plus" 90/10 plan with enhanced benefits via lower out-of pocket requirements as compared to the other PPO plan alternatives offered.

As of July 1, 2009, the State will continue to finance the Plan on a self-funded basis and administers benefit coverage under a Preferred Provider Option (PPO) arrangement. The Plan's receipts will be derived through premium contributions, investment earnings and other receipts. Premiums for health benefit coverage will be paid by (1) employing agencies for active employees, (2) the Retiree Health Benefit Fund for retired employees, and (3) employees and retirees who elect dependent coverage. Total requirements for the Plan are estimated to be \$2.5 billion for FY 2009-10 and \$2.7 billion for FY 2010-11. The Plan's PPO benefit design will include two alternative benefit levels listed below:

- 1) The "Basic" 70/30 plan that offers higher out-of pocket requirements in return for lower fully contributory dependent premiums; and
- 2) The "Standard" 80/20 plan.

The Basic and Standard plans offer coverage to employees and retired employees on a noncontributory basis. Coverage for dependents under both plans is offered on a fully contributory basis.

## **Financial Condition**

**Financial Projection (Revised Summer 2008) for FY 2008-09** -- For the fiscal year beginning July 1, 2008, the Plan began its operations with a beginning cash balance of \$139.8 million. Receipts for the year were projected to be \$2.3 billion from premium collections, \$53.9 million from Medicare Part D subsidies, and \$2.7 million from investment earnings, for a total of slightly over \$2.3 billion in receipt income for the year. Projected disbursements from the Plan were expected to be \$2.4 billion in claim-



payment expenses and \$168.7 million in administration and claims-processing expenses for projected total expenses of nearly \$2.6 billion for FY 2008-09. The Plan's net operating loss was projected to be approximately \$264.4 million for the fiscal year, assuming a 9% annual claims growth trend.

Projected operating losses were expected to deplete the Plan's cash balance of \$139.8 million and leave it without sufficient operating resources to continue operations for the fiscal year.

**Financial Projection (Revised April 2009) for FY 2008-09** – For the fiscal year beginning July 1, 2008, the Plan began its operations with a beginning cash balance of \$139.8 million. Receipts for the year are projected to be \$2.3 billion from premium collections, \$49.0 million from Medicare Part D subsidies, \$3.3 million from investment earnings, and \$250.0 million from a direct General Fund appropriation from the Rainy Day Fund (Savings Reserve Account) for a total of approximately \$2.6 billion in receipt income for the year. The \$250 million from a direct General Fund appropriation was provided by Session Law 2009-16 (Senate Bill 287) to finance a shortfall in funds available to pay health care benefits, administrative costs, and adequately fund the Plan's beginning cash balance on July 1, 2009. Projected disbursements from the Plan are expected to be \$2.4 billion in claim-payment expenses and \$180.7 million in administration and claims-processing expenses for projected total expenses of nearly \$2.6 billion for FY 2008-09. The Plan's net operating income is projected to be approximately \$7.1 million for the fiscal year, assuming a 9% annual claims growth trend.

**Financial Projection 2009-11 Biennium (April 2009)** – Session Law 2009-16 (Senate Bill 287) appropriates funds from various sources, authorizes annual premium rate increases, makes various benefit and provider related changes to achieve financial savings, and directs other various changes to the Plan. The enacted law also appropriates the sum of \$250 million from the Savings Reserve Account ("Rainy Day Fund") of the General Fund for the 2008-09 fiscal year. The following summarized financial projections by fiscal year for the 2009-11 biennium assume the changes enacted in Session Law 2009-16 (Senate Bill 287).

For the fiscal year beginning July 1, 2009, the Plan is projected to begin its operations with a beginning cash balance of \$146.9 million. Receipts for the year are projected to be \$2.4 billion from premium collections, \$56.3 million from Medicare Part D subsidies, and \$8.0 million from investment earnings for a total of approximately \$2.5 billion in receipt income for the year. Projected disbursements from the Plan are expected to be \$2.3 billion in claim-payment expenses and \$185.6 million in administration and claims-processing expenses for projected total expenses of nearly \$2.5 billion for FY 2008-09. The Plan's net operating income is projected to be approximately \$14.8 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2009.

For the fiscal year beginning July 1, 2010, the Plan is projected to begin its operations with a beginning cash balance of \$146.9 million. Receipts for the year are projected to be \$2.7 billion from premium collections, \$50.4 million from Medicare Part D subsidies, and \$8.8 million from investment earnings for a total of approximately \$2.7 billion in receipt income for the year. Projected disbursements from the Plan are expected to be \$2.5 billion in claim-payment expenses and \$191.7 million in administration and claims-processing expenses for projected total expenses of nearly \$2.7 billion for FY 2010-11. The Plan's net operating income is projected to be approximately \$30.6 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2010.

### **Other Information**

Historically, the Plan has applied a premium increase in October of the first fiscal year of a biennium. However, the annual premium increases authorized in Session Law 2009-16 (Senate Bill 287) changes that methodology to an annual increase at the beginning of each fiscal year of the 2009-11 biennium.

Additional assumptions include Medicare benefit "carve-outs," cost containment strategies including prior approval for certain medical services, utilization of the "Blue Options" provider network, case and disease management for selected medical conditions, mental health case management, coordination of benefits with other payers, a prescription drug benefit manager with manufacturer rebates from formularies, and fraud detection, and other authorized actions by the Executive Administrator and Board of Trustees to manage the Plan to maintain and improve the Plan's operation and financial condition where possible. Claim cost trends are expected to increase at a rate of 9% annually according to the Plan's consulting actuary. Investment earnings are based upon a 4.5% return on available cash balances.

# Enrollment Data as of December 31, 2008

I. No. of Participants	Basic	Standard	Plus	Total	Percent of Total
<u>Actives</u>					
Employees	11,623	271,243	47,687	330,553	49.6%
Dependents	20,454	115,875	28,156	164,485	24.7%
Sub-total	32,077	387,118	75,843	495,038	74.2%
<u>Retired</u>					
Employees	1,726	127,081	17,967	146,774	22.0%
Dependents	1,117	14,935	3,476	19,528	2.9%
Sub-total	2,843	142,016	21,443	166,302	24.9%
Former Employees with <u>Continuation Coverage</u>					
Employees	60	1,349	344	1,753	0.3%
Dependents	61	501	182	744	0.1%
Sub-total	121	1,850	526	2,497	0.4%
Fire fighters, Rescue Squad & <u>National Guard</u>					
Employees	-	3	2	5	0.0%
Dependents	-	3	-	3	0.0%
Sub-total	-	6	2	8	0.0%
Local Governments					
Employees	72	1,577	319	1,968	0.3%
Dependents	141	637	218	996	0.1%
Sub-total	213	2,214	537	2,964	0.4%
Total					
Employees	13,481	401,253	66,319	481,053	72.1%
Dependents	21,773	131,951	32,032	185,756	27.9%
<b>Grand Total</b>	<b>35,254</b>	<b>533,204</b>	<b>98,351</b>	<b>666,809</b>	<b>100%</b>
<b>Percent of Total</b>	<b>5.3%</b>	<b>80.0%</b>	<b>14.7%</b>	<b>100.0%</b>	

II. Enrollment by Contract	Basic	Standard	Plus	Total
Employee Only	2,684	328,635	49,246	380,565
Employee Child(ren)	4,958	36,903	8,589	50,450
Employee Spouse	2,274	18,145	4,469	24,888
Employee Family	3,565	17,570	4,015	25,150
<b>Total</b>	<b>13,481</b>	<b>401,253</b>	<b>66,319</b>	<b>481,053</b>
 <b>Percent Enrollment by Contract</b>	 <b>Basic</b>	 <b>Standard</b>	 <b>Plus</b>	 <b>Total</b>
Employee Only	19.9%	81.9%	74.3%	79.1%
Employee Child(ren)	36.8%	9.2%	13.0%	10.5%
Employee Spouse	16.9%	4.5%	6.7%	5.2%
Employee Family	26.4%	4.4%	6.1%	5.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Enrollment Data Continued

III. Enrollment by Sex	Basic	Standard	Plus	Total
Female	18,837	334,917	61,752	415,506
Male	16,417	198,287	36,599	251,303
<b>Total</b>	<b>35,254</b>	<b>533,204</b>	<b>98,351</b>	<b>666,809</b>

Percent Enrollment by Sex	Basic	Standard	Plus	Total
Female	53.4%	62.8%	62.8%	62.3%
Male	46.6%	37.2%	37.2%	37.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

IV. Enrollment by Age	Basic	Standard	Plus	Total
29 & Under	17,390	136,277	27,211	180,878
30 to 44	8,125	107,375	17,315	132,815
45 to 54	5,164	94,548	18,277	117,989
55 to 64	3,195	102,901	23,452	129,548
65 & Over	1,380	92,103	12,096	105,579
<b>Total</b>	<b>35,254</b>	<b>533,204</b>	<b>98,351</b>	<b>666,809</b>

Percent Enrollment by Age	Basic	Standard	Plus	Total
29 & Under	49.3%	25.6%	27.7%	27.1%
30 to 44	23.0%	20.1%	17.6%	19.9%
45 to 54	14.6%	17.7%	18.6%	17.7%
55 to 64	9.1%	19.3%	23.8%	19.4%
65 & Over	3.9%	17.3%	12.3%	15.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

V. Retiree Enrollment by Category	Employee	Dependents	Total
Non-Medicare Eligible	49,534	12,080	61,614
Medicare Eligible	97,240	7,448	104,688
<b>Total</b>	<b>146,774</b>	<b>19,528</b>	<b>166,302</b>

Percent by Category (Retiree)	Employee	Dependents	Total
Non-Medicare Eligible	33.7%	61.9%	37.0%
Medicare Eligible	66.3%	38.1%	63.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**SOURCES OF DATA:**

-Actuarial Note, Hartman & Associates, "House Bill 751: An Act to Authorize the coastal Regional Solid Waste management Authority to Enroll Its Employees and Retirees in the State Health Plan for Teachers and State Employees, May 4, 2009, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, "House Bill 751 Coastal Regional Solid Waste Management Authority/State Health Plan", May 5, 2009, original of which is on file with the State Health Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910

**PREPARED BY:** Mark Trogdon

**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division

**DATE:** May 5, 2009



**Signed Copy Located in the NCGA Principal Clerk's Offices**

**NORTH CAROLINA STATE HEALTH PLAN  
FOR TEACHERS AND STATE EMPLOYEES**

**HOUSE BILL 751**

**COASTAL REGIONAL SOLID WASTE  
MANAGEMENT AUTHORITY/  
STATE HEALTH PLAN**

**Prepared by:**

**Aon Consulting  
One Piedmont Center  
3565 Piedmont Road, N.E.  
Atlanta, Georgia 30305**

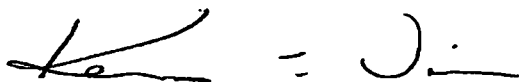
**May 2009**

## ACTUARIAL STATEMENT

The North Carolina State Health Plan for Teachers and State Employees has requested that Aon Consulting prepare an Actuarial Note in response to House Bill 751 entitled "A Bill to be Entitled An Act To Authorize The Coastal Regional Solid Waste Management Authority To Enroll Its Employees And Retirees In The State Health Plan For Teachers And State Employees".

The Actuarial Note was prepared according to generally accepted actuarial principles and practices, in compliance with General Statute 120-114. As required by statute, the Note includes an explanatory statement of the proposed change(s) and, to the extent possible, an estimate of the financial and actuarial effect of the proposed change(s) on the Plan. The Actuarial Note makes no comment or opinion with regard to the merits of the measure for which the Note is prepared; however, any identified technical or mechanical defects have been noted.

We have reviewed the input and results of our analysis for reasonableness, and relied upon the data and information provided by the Plan and their Claims Processing Contractor.



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Kenneth C. Vieira, F.S.A., M.A.A.A.  
Senior Vice President

May 5, 2009

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Date



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Kirsten R. Schatten, A.S.A., M.A.A.A.  
Assistant Vice President

May 5, 2009

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Date

## **OPTIONAL PLAN COVERAGE FOR THE COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY.**

### **PLAN CHANGES**

The General Assembly of North Carolina enacts:

**SECTION 1.** Section 31.26(j) of S.L. 2004-124, as amended by Section 29.32 of S.L. 2005-276, and as further amended by S.L. 2007-405, reads as rewritten:

**"SECTION 31.26.(j)** This section applies to:

- (1) Bladen, Cherokee, Mitchell, Rutherford, Washington, and Wilkes Counties only, ~~and~~
- (2) The Towns of Biltmore Forest, Black Creek, Black Mountain, Blowing Rock, Forest City, Ocean Isle Beach, Sunset Beach, and Tabor City ~~only, only, and~~
- (3) The Coastal Regional Solid Waste Management Authority."

**SECTION 2.** This act becomes effective July 1, 2009.

### **PROJECTED COSTS/SAVINGS**

Plan Design Change	Projected Costs/Savings
The Coastal Regional Solid Waste Management Authority Authorized to Participate in Plan Optional Coverage	Estimated FY10 Costs: \$119,419

### **PRICING APPROACH AND COMMENTS**

The following information was compiled and utilized in determining the projected costs or savings of each benefit component addressed in this actuarial note:

- A census report was received from Fiscal Research that shows a distribution of the Coastal Regional Solid Waste Management Authority dependents and retirees by age and gender. The membership levels were compared to those in the State Health Plan. The results showed that the Coastal Regional Solid Waste Management Authority members would produce claims that were 8% less than those expected by the average SHP membership. These calculations were based solely on the submitted age and sex distributions and have no relationship to the actual claims experience of the Coastal Regional Solid Waste Management Authority members.
- The only additional cost to the plan for covering these employees would be the cost of any excess risk for these members. That would result in potential losses to the plan, where claims and expenses exceed collected premiums.



- No experience data was received for the Coastal Regional Solid Waste Management Authority. If this group, currently not participating in the State Health Plan, is made eligible, it is very likely that the group will have "adverse selection". Claims factors for these types of risk typically range from 125-200% of expected Plan costs, with some instances being as high as 300%. With a 150% assumed adverse selection, in combination with a 92% age/sex factor, we would expect a loss ratio of 138%. Adding expenses would put the loss ratio at approximately 149%.
- There are currently 37 employees and retirees participating in the Coastal Regional Solid Waste Management Authority Plan. Assuming the same membership patterns as current, we would expect 64 total members. With an average cost of \$3,808 per member, we expect a cost of  $64 \times \$3,808 \times 49\%$  or \$119,419. Due to the size of this group, varied assumptions would have negligible impact on the plan.

# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

May 4, 2009

Mr. Mark Trogdon  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: House Bill 751: An Act to Authorize the Coastal Regional Solid Waste Management Authority to Enroll Its Employees and Retirees in the State Health Plan for Teachers and State Employees

Dear Mr. Trogdon:

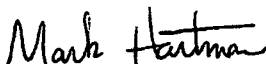
This bill amends Section 31.26(j) of S.L. 2004-124, as amended, to provide the option for the Coastal Regional Solid Waste Management Authority to participate in the State Health Plan. This act is effective July 1, 2009.

S.L. 2004-124 provides the option for certain local government employers to elect to cover employees under the Plan. To participate, the employer must adopt a resolution to have its employees become eligible to participate, pay the required contributions, and make the Plan available to all of its eligible employees and retirees. Spouses and dependent children of employees may also participate. Covered members are required to participate in disease management, case management, and all other cost containment measures of the Plan. Employee coverage may be on a partially contributory basis as determined by the employer. The Plan's regular employee and dependent premium rates apply to employees who participate.

I reviewed the census data for 37 active employees and 27 dependents of the Authority. The demographics of this group indicate expected claims for this group would be similar to those expected under the State Plan. We do not have prior claims experience of this group to compare to Plan experience, and the potential exists for anti-selection against the Plan. However, based on the demographic data and the number of potential new members, I do not expect this bill to have a material impact on the Plan.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☐ Committee Substitute for

**HB 751** A BILL TO BE ENTITLED AN ACT TO AUTHORIZE THE COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY TO ENROLL ITS EMPLOYEES AND RETIREES IN THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on APPROPRIATIONS.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ The bill/resolution is re-referred to the Committee on \_\_\_\_\_.

LOCAL BILL

0751

H.B. \_\_\_\_\_

SESSION LAW \_\_\_\_\_

**A BILL TO BE ENTITLED**

**AN ACT TO AUTHORIZE THE COASTAL REGIONAL SOLID WASTE MANAGEMENT AUTHORITY TO ENROLL ITS EMPLOYEES AND RETIREES IN THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES.**

Introduced by Representative(s): Underhill, *W. W. Wright* (Primary Sponsors)

*Alvin S. La*

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

Principal Clerk's Use Only

ISSUED 1st READING

MAR 24 2009

AND REFERRED TO COMMITTEE

ON *Pension & Retirement*

*if* ~~APPROPRIATIONS~~

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

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**HOUSE BILL 1073**

Short Title: Fire and Rescue Pension Withdrawal Change. (Public)

Sponsors: Representative Lewis.

Referred to: Pensions and Retirement, if favorable, Appropriations.

April 6, 2009

1                                   A BILL TO BE ENTITLED  
2 AN ACT TO PROVIDE THAT MEMBERS OF THE FIRE AND RESCUE PENSION FUND  
3 WHO WITHDRAW FROM MEMBERSHIP ARE ENTITLED TO THE RETURN OF  
4 ALL FUNDS.  
5 The General Assembly of North Carolina enacts:  
6       **SECTION 1.** G.S. 58-86-60(4) reads as rewritten:  
7       "(4) Any member withdrawing from the fund shall, upon proper application, be  
8       paid all moneys ~~the individual contributed to the fund~~ without accumulated  
9       earnings on the payments after the time they were made less an  
10      administrative fee equal to the lesser of the amount the individual  
11      contributed to the fund or twenty-five dollars (\$25.00). The administrative  
12      fees collected by the fund shall be retained by the Board to defray  
13      administrative expenses, including salaries. ~~Notwithstanding the foregoing,~~  
14      ~~if any person, firm, corporation, or other entity has made contributions on~~  
15      ~~behalf of a member and that member withdraws from the fund, the person,~~  
16      ~~firm, corporation, or other entity shall be entitled to a refund equal to the~~  
17      ~~amount of contributions made by them after the Board has been notified of~~  
18      ~~the contributor's desire to be refunded its contributions upon the member's~~  
19      ~~withdrawal. Any refunds to a contributor other than a member shall also be~~  
20      ~~subject to the twenty five dollar (\$25.00) administrative fee. If a refund is to~~  
21      ~~be shared by a member and another party the administrative fee shall be~~  
22      ~~applied to each portion on a pro rata basis."~~  
23      **SECTION 2.** This act is effective when it becomes law.



**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

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1

**HOUSE BILL 1142**

Short Title: Fire and Rescue Pension Fund Changes. (Public)

Sponsors: Representatives Braxton; Faison, Rapp, and Wray.

Referred to: State Government/State Personnel, if favorable, Pensions and Retirement.

April 7, 2009

1 A BILL TO BE ENTITLED  
2 AN ACT TO AMEND THE LAW AFFECTING TERMINATION OF MEMBERSHIP IN  
3 THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. G.S. 58-86-35 reads as rewritten:

6 "§ 58-86-35. Firemen's application for membership in fund; monthly payments by  
7 members; payments credited to separate accounts of members; termination of  
8 membership.

9 Those firemen who are eligible pursuant to G.S. 58-86-25 may make application for  
10 membership to the board. Each fireman upon becoming a member of the fund shall pay the  
11 director of the fund the sum of ten dollars (\$10.00) per month. The monthly payments shall be  
12 credited to the separate account of the member and shall be kept by the custodian so it is  
13 available for payment on withdrawal from membership or retirement.

14 A member may elect to terminate membership in the fund at anytime and request the refund  
15 of payments previously made to the fund. However, a member's delinquency in making the  
16 monthly payments required by this section does not result in the termination of membership  
17 without ~~such~~ either an election by the member, member or certification by the Board that the  
18 member's department has made all reasonable efforts to locate the member without success."

19 SECTION 2. G.S. 58-86-40 reads as rewritten:

20 "§ 58-86-40. Rescue squad worker's application for membership in funds; monthly  
21 payments by members; payments credited to separate accounts of members;  
22 termination of membership.

23 Those rescue squad workers eligible pursuant to G.S. 58-86-30 may apply to the board for  
24 membership. Each eligible rescue squad worker upon becoming a member shall pay the  
25 director of the fund the sum of ten dollars (\$10.00) per month. The monthly payments shall be  
26 credited to the separate account of the member and shall be kept by the custodian so it is  
27 available for payment on withdrawal from membership or retirement.

28 A member may elect to terminate membership in the fund at anytime and request the refund  
29 of payments previously made to the fund. However, a member's delinquency in making the  
30 monthly payments required by this section does not result in the termination of membership  
31 without ~~such~~ either an election by the member, member or certification by the Board that the  
32 member's rescue squad has made all reasonable efforts to locate the member without success."

33 SECTION 3. G.S. 58-86-60(4) reads as rewritten:

34 "(4) Any member withdrawing from the fund shall, upon proper application, be  
35 paid all moneys the individual contributed to the fund without accumulated  
36 earnings on the payments after the time they were made less an  
37 administrative fee equal to the lesser of the amount the individual



\* H 1 1 4 2 - V - 1 \*

1 contributed to the fund or twenty-five dollars (\$25.00). The administrative  
2 fees collected by the fund shall be retained by the Board to defray  
3 administrative expenses, including salaries. Notwithstanding the foregoing,  
4 if any person, firm, corporation, or other entity has made contributions on  
5 behalf of a member and that member withdraws from the ~~fund~~, fund or is  
6 declared by the Board to have withdrawn, upon its certification that the fire  
7 department or rescue squad, despite all reasonable efforts, has been unable to  
8 contact the member, then the person, firm, corporation, or other entity shall  
9 be entitled to a refund equal to the amount of contributions made by ~~them~~  
10 after it. In order to receive this refund, the contributor must notify the Board  
11 has been notified of the contributor's desire to be refunded its contributions  
12 upon the member's withdrawal. withdrawal or the Board's declaration of  
13 withdrawal. Any refunds to a contributor other than a member shall also be  
14 subject to the twenty-five dollar (\$25.00) administrative fee. If a refund is to  
15 be shared by a member and another party the administrative fee shall be  
16 applied to each portion on a pro rata basis."

17 **SECTION 4.** This act becomes effective July 1, 2009.



# HOUSE BILL 1073: Fire and Rescue Pension Withdrawal Change

2009-2010 General Assembly

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<b>Committee:</b>	House Pensions and Retirement, if favorable, Appropriations	<b>Date:</b>	May 5, 2009
<b>Introduced by:</b>	Rep. Lewis	<b>Prepared by:</b>	Theresa Matula
<b>Analysis of:</b>	First Edition		Committee Staff

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**SUMMARY:** *House Bill 1073 allows members of the Fire and Rescue Pension Fund that decide to withdraw funds to receive both funds contributed by the member directly and funds contributed on behalf of the member.*

## CURRENT LAW:

G.S. 58-86-60(4) allows a member of the Fire and Rescue Pension Fund to withdraw only the money that the individual contributed to the fund, less a \$25.00 administrative fee. It further provides that any person, firm, corporation, or other entity that made contributions on behalf of a member is entitled to a refund equal to the amount of contributions made by them, less a \$25.00 administrative fee.

## BILL ANALYSIS:

House Bill 1073 removes the above language and allows any member withdrawing funds to receive all the contributions that the individual made and to receive any made on his behalf.

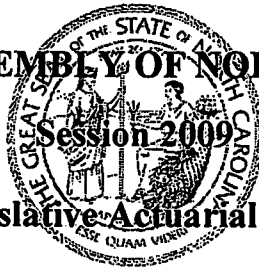
## EFFECTIVE DATE:

House Bill 1073 would become effective when it becomes law.

H1073-SMSH-102(e1) v1



# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 1073 (First Edition)  
**SHORT TITLE:** Fire and Rescue Pension Withdrawal Change.  
**SPONSOR(S):** Representative Lewis

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**FUNDS AFFECTED:** General Fund

**SYSTEM OR PROGRAM AFFECTED:** Firemen and Rescue Squad Workers' Pension Fund

**EFFECTIVE DATE:** January 1, 2010

**BILL SUMMARY:** The present law allows any person, firm, corporation or other entity that has made contributions on behalf of a member of the Firemen and Rescue Squad Workers' Pension Fund, to receive those contributions if the member elects to withdrawn from the Fund. This bill removes that language so that any firemen or rescue squad worker, who wishes to withdrawn from the Fund, will receive all the contributions that he made plus any that were made on his behalf, regardless of who made the contributions.

**ESTIMATED IMPACT ON STATE:**

Both the Retirement System Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, LLC, say the impact of this change is immaterial.

**ASSUMPTIONS AND METHODOLOGY:** **Firemen and Rescue Squad Workers' Pension Fund:** The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the June 30, 2008 actuarial valuation of the fund. The data included 36,160 active members, 10,509 retired members in receipt of annual pensions totaling \$21.4 million and actuarial value of assets equal to \$317 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1974 George B. Buck Mortality Table for deaths after retirement and (c) rates of separation from active service based on Fund experience. The actuarial cost method used was the entry age method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** System Actuary – Buck Consultants  
General Assembly Actuary - Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION: (919) 733-4910.** The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**PREPARED BY:** Stanley Moore

**APPROVED BY:** Bob Weiss  
on behalf of Marilyn Chism, Director  
Fiscal Research Division



**DATE:** April 13, 2009

**Signed Copy Located in the NCGA Principal Clerk's Offices**



April 7, 2009

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: House Bill 1073**

Dear Mr. Vanderweide:

We have received your request of April 2 regarding House Bill 1073, which affects the Firemen's and Rescue Squad Workers' Pension Fund.

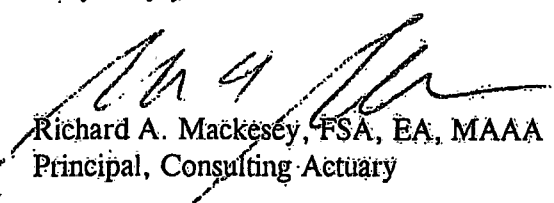
This proposed legislation amends G.S. 58-86-60(4) and appears to pay the full withdrawal refund of contributions to the member, even if the contributions were made on the member's behalf by a department, squad or other entity. This proposed legislation is effective when it becomes law.

Based on the results of the June 30, 2008 valuation, the impact of this proposed legislation is immaterial.

I am an Enrolled Actuary, a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, FSA, EA, MAAA  
Principal, Consulting Actuary

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# HARTMAN & ASSOCIATES, LLC

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ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038  
Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

April 6, 2009

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: House Bill 1073: An Act to Provide That Members of the Fire and Rescue Pension Fund  
Who Withdraw Are Entitled to the Return of All Funds

Dear Mr. Moore:

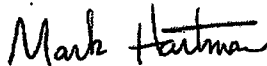
This bill amends G.S. 58-86-60(4) to provide that if a member of the Fireman's and Rescue Squad Workers' (FRSW) Pension Fund withdraws from the fund, the member will be entitled to a refund of all moneys contributed to his account. Currently, any amounts that were contributed on behalf of a member by another person, firm, or corporation are refund to the person, firm, or corporation who made the contribution.

This act is effective when it becomes law.

This bill would change who receives refunds of member contributions in certain instances, but it would not alter the amount of the refunds. Thus, the bill is not expected to have a financial impact on the FRSW Pension Fund.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☐ Committee Substitute for

**HB 1073**                    A BILL TO BE ENTITLED AN ACT TO PROVIDE THAT MEMBERS OF  
THE FIRE AND RESCUE PENSION FUND WHO WITHDRAW FROM MEMBERSHIP ARE  
ENTITLED TO THE RETURN OF ALL FUNDS.

☒ Without prejudice and recommendation that the bill be re-referred to the Committee on  
APPROPRIATIONS.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ The bill/resolution is re-referred to the Committee on \_\_\_\_\_.

**PUBLIC  
BILL**

H.B. 1073

SESSION LAW \_\_\_\_\_

**A BILL TO BE ENTITLED**

AN ACT TO PROVIDE THAT MEMBERS OF THE FIRE AND RESCUE PENSION FUND WHO  
WITHDRAW FROM MEMBERSHIP ARE ENTITLED TO THE RETURN OF ALL FUNDS.

Introduced by Representative(s): *Lewis*  
Lewis.

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

Principal Clerk's Use Only

**1<sup>ST</sup> READING**

APR 6 2009

AND REFERRED TO COMMITTEE

ON *Pensioners*

*Retirement, of*  
**APPROPRIATIONS**

*Baw*

# VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

May 6, 2009

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Allen Hardison	COASTAL Regional Solid Waste MANAGEMENT Authority
Donald Rayavage	Professional Firefighter
Paul Anders	11.
Mitch Leonard	SEANC
Michael Williams	NCDST
David Vanderweide	NCDST
Jim Blackburn	NC Association of County Commissioners
Mark Guffe	Payson Spill
Marge Foreman	NCAE
Chuck Aton	SEAK
Norm Killian	Nelson Mullins

House Pages

Pension & Retirement

Name of Committee: \_\_\_\_\_ Date: 5/6/09

1. Name: Jeremy Strickland  
County: Samson  
Sponsor: David Lewis

2. Name: \_\_\_\_\_  
County: \_\_\_\_\_  
Sponsor: \_\_\_\_\_  
Name: \_\_\_\_\_  
County: \_\_\_\_\_  
Sponsor: \_\_\_\_\_

4. Name: \_\_\_\_\_  
County: \_\_\_\_\_  
Sponsor: \_\_\_\_\_

5. Name: \_\_\_\_\_  
County: \_\_\_\_\_  
Sponsor: \_\_\_\_\_

Sgt.-At-Arms

Name: Reggie Sills

2. Name: Michael Martin

3. Name: \_\_\_\_\_

4. Name: \_\_\_\_\_





North Carolina General Assembly  
**House Committee on Pensions & Retirement**

**Minutes**

~  
**May 20, 2009**

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The House Committee on Pensions and Retirement met immediately after session around the chamber desk of the Chair, Representative Russell Tucker.

The following members were present: Chairperson Tucker and Representatives Bell, Folwell, Hurley, McGee, Farmer-Butterfield, McLawhorn, Ross and Tolson.

The Chair placed Senate Bill 703 before the committee, entitled, "AN ACT CONCERNING INVESTMENTS OF THE STATE TREASURER". Representative Gibson explained the bill. He explained this bill was the same as HB 1507 which has been before Pensions and Retirement and the Finance Committee. He recommended the committee move the bill along with their report in order for it to return to Finance where Representative McGee will offer an amendment in Finance. After amended, it should make all parties agreeable. The Treasurer's Office has no objections to the bill.

After discussion, Representative McLawhorn moved to report without prejudice and that the bill be re-referred to the Committee on Finance. Bill passed.

There being no further business, the meeting adjourned at 3:25 p.m.

A handwritten signature in cursive script, reading "Russell Tucker", written over a horizontal line.

Representative Russell Tucker

A handwritten signature in cursive script, reading "Nancy Goodman", written over a horizontal line.

Nancy Goodman, Acting Committee Assistant

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2009

S

2

SENATE BILL 703

Second Edition Engrossed 4/28/09

Short Title: State Treasurer Investments.

(Public)

Sponsors: Senator Rand.

Referred to: Finance.

March 24, 2009

-A BILL TO BE ENTITLED

AN ACT CONCERNING INVESTMENTS OF THE STATE TREASURER.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 147-69.2 reads as rewritten:

**"§ 147-69.2. Investments authorized for special funds held by State Treasurer.**

(a) This section applies to funds held by the State Treasurer to the credit of each of the following:

- (1) The Teachers' and State Employees' Retirement System.
- (2) The Consolidated Judicial Retirement System.
- (3) The Teachers' and State Employees' Hospital and Medical Insurance Plan.
- (4) The General Assembly Medical and Hospital Care Plan.
- (5) The Disability Salary Continuation Plan.
- (6) The Firemen's and Rescue Workers' Pension Fund.
- (7) The Local Governmental Employees' Retirement System.
- (8) The Legislative Retirement System.
- (9) The Escheat Fund.
- (10) The Legislative Retirement Fund.
- (11) The State Education Assistance Authority.
- (12) The State Property Fire Insurance Fund.
- (13) The Stock Workers' Compensation Fund.
- (14) The Mutual Workers' Compensation Fund.
- (15) The Public School Insurance Fund.
- (16) The Liability Insurance Trust Fund.
- (16a) The University of North Carolina Hospitals at Chapel Hill funds, except appropriated funds, deposited with the State Treasurer pursuant to G.S. 116-37.2.
- (17) Trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1.
- (17a) North Carolina Veterans Home Trust Fund.
- (17b) North Carolina National Guard Pension Fund.
- (17c) Retiree Health Premium Reserve Account.
- (17d) The Election Fund.
- (17e) The North Carolina State Lottery Fund.
- (17f) Funds deposited with the State Treasurer by public hospitals pursuant to G.S. 159-39(g).
- (17g) The Local Government Other Post-Employment Benefits Fund.



\* 5 7 0 3 - V - 2 \*

- 1 (17h) The Local Government Law Enforcement Special Separation Allowance  
2 Fund.
- 3 (17i) The North Carolina Conservation Easement Endowment Fund.
- 4 (17j) The Conservation Grant Fund.
- 5 (18) Any other special fund created by or pursuant to law for purposes other than  
6 meeting appropriations made pursuant to the Executive Budget Act.
- 7 (19) The Swain County Settlement Trust Fund.
- 8 (b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated  
9 in subsection (a) of this section in excess of the amount required to meet the current needs and  
10 demands on such funds, selecting from among the following:
- 11 (1) Any of the investments authorized by G.S. 147-69.1(c)(1)-(7).
- 12 (2) General obligations of other states of the United States.
- 13 (3) General obligations of cities, counties and special districts in North Carolina.
- 14 (4) Obligations of any company, other organization or legal entity incorporated  
15 or otherwise created or located within or outside the United States-States,  
16 including obligations that are convertible into equity securities, if the  
17 obligations either (i) when acquired, bear one of the four highest ratings of at  
18 least one nationally recognized rating service and do not bear a rating below  
19 the four highest by any nationally recognized rating service which rates the  
20 particular security-security or (ii) when acquired, bear the fifth highest rating  
21 of at least one nationally recognized rating service and do not bear a rating  
22 below the fifth highest rating by any nationally recognized rating service  
23 which rates the particular security, provided that the obligations are  
24 additional securities that are identical to obligations previously acquired  
25 pursuant to sub clause (i).
- 26 (5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.
- 27 (6) Asset-backed securities (whether considered debt or equity) ~~provided they if~~  
28 the securities either (i) when acquired, bear ratings by nationally recognized  
29 rating services as provided in G.S. 147-69.2(b)(4) subdivision (4) of this  
30 subsection and that they do not bear a rating below the four highest by any  
31 nationally recognized rating service that rates the particular  
32 securities-security or (ii) when acquired, bear the fifth highest rating of at  
33 least one nationally recognized rating service and do not bear a rating below  
34 the fifth highest rating by any nationally recognized rating service which  
35 rates the particular security, provided that the securities are additional  
36 securities that are identical to securities previously acquired pursuant to sub  
37 clause (i).
- 38 (6a) In addition to the limitations and requirements with respect to the  
39 investments of the Retirement Systems set forth in this subsection, the State  
40 Treasurer shall select investments of the assets of the Retirement Systems  
41 such that investments made pursuant to subdivisions (b) (1) through (6) of  
42 this section shall at all times equal or exceed twenty percent (20%) of the  
43 market value of all invested assets of the Retirement Systems.
- 44 (6b) Investments pursuant to subdivisions (b)(1) through (6) of this section may  
45 be made directly by the State Treasurer or through contractual arrangements  
46 in which the investment manager has full and complete discretion and  
47 authority to invest assets specified in such arrangements in investments  
48 authorized by subdivisions (b)(1) through (6) of this section, provided for  
49 each indirect investment, the investment manager has assets under  
50 management of at least one hundred million dollars (\$100,000,000).

1           (6c) With respect to Retirement Systems' assets referred to in subdivision (b)(8),  
2 they may be invested in obligations and other debt securities, including debt  
3 securities convertible into other securities, that do not meet the requirements  
4 of any of subdivisions (b)(1) through (6) of this section nor subdivision  
5 (b)(7) of this section, provided such investments are made through  
6 investment companies registered under the Investment Company Act of  
7 1940, individual, common collective trust funds of banks and trust  
8 companies, group trusts and limited partnerships, limited liability companies  
9 or other limited liability investment vehicles that invest primarily in  
10 investments authorized by this subdivision and through contractual  
11 arrangements in which the investment manager has full and complete  
12 discretion and authority to invest assets specified in such arrangements in  
13 investments authorized by this subdivision, provided the investment  
14 manager for each investment pursuant to this subdivision has assets under  
15 management of at least one hundred million dollars (\$100,000,000) and  
16 provided that the investments authorized under this subdivision shall not  
17 exceed five percent (5%) of the market value of all invested assets of the  
18 Retirement Systems.

19           (7) With respect to Retirement Systems' assets referred to in  
20 G.S. 147-69.2(b)(8), subdivision (8) of this subsection, (i) insurance contracts  
21 that provide for participation in individual or pooled separate accounts of  
22 insurance companies, (ii) group trusts, (iii) individual, common, or collective  
23 trust funds of banks and trust companies, (iv) real estate investment trusts,  
24 and (v) investment companies registered under the Investment Company Act  
25 of 1940, and (vi) limited partnerships, whether described as limited liability  
26 partnerships-companies, or other limited liability companies; investment  
27 vehicles; provided the investment manager has assets under management of  
28 at least one hundred million dollars (\$100,000,000); provided such  
29 investment assets are managed primarily for the purpose of investing in or  
30 owning real estate or related debt financing located within or outside the  
31 United States; and provided that the investment-investments authorized by  
32 this subsection-subdivision shall not exceed ten percent (10%) of the market  
33 value of all invested assets of the Retirement Systems.

34           (8) With respect to assets of the Teachers' and State Employees' Retirement  
35 System, the Consolidated Judicial Retirement System, the Firemen's and  
36 Rescue Workers' Pension Fund, the Local Governmental Employees'  
37 Retirement System, the Legislative Retirement System, the North Carolina  
38 National Guard Pension Fund (hereinafter referred to collectively as the  
39 Retirement Systems), and assets invested pursuant to subdivision (b2) of this  
40 section, they may be invested in preferred or common stock equity securities  
41 traded on a public securities exchange or market organized and regulated  
42 pursuant to the laws of the jurisdiction of such exchange or market and  
43 issued by any company incorporated or otherwise created or located within  
44 or outside the United States-States; provided the investments meet the  
45 conditions of this subdivision.

46           The investments authorized for the Retirement Systems under this  
47 subdivision cannot exceed sixty-five percent (65%) of the market value of  
48 all invested assets of the Retirement Systems. Up to five percent (5%) of the  
49 amount that may be invested under this subdivision may be invested in the  
50 stocks or shares of a diversified investment company registered under the  
51 "Investment Company Act of 1940" that has total So long as each

1 investment manager has assets under management of at least fifty million  
2 dollars (\$50,000,000).one hundred million dollars (\$100,000,000), the The  
3 assets authorized under this subdivision can be invested through (i)  
4 investment companies registered under the Investment Company Act of  
5 1940; (ii) individual, common, or collective trust funds of banks, banks and  
6 trust companies, and group trust funds of investment advisory companies so  
7 long as the investment manager has assets under management of at least one  
8 hundred million dollars (\$100,000,000).(iii) group trusts, and (iv) contractual  
9 arrangements in which investment managers have full and complete  
10 discretion and authority to invest assets specified in such contractual  
11 arrangements.

12 The assets authorized under this subdivision can also be invested  
13 directly, if all of the following conditions are met:

14 a. ~~The common stock or preferred stock of such corporation is~~  
15 ~~registered on a national securities exchange as provided in the~~  
16 ~~Federal Securities Exchange Act or quoted through the National~~  
17 ~~Association of Securities Dealers' Automated Quotations (NASDAQ)~~  
18 ~~system.~~

19 b. ~~The corporation has paid a cash dividend on its common stock in~~  
20 ~~each year of the 5-year period next preceding the date of investment~~  
21 ~~and the aggregate net earnings available for dividends on the~~  
22 ~~common stock of the corporation for the whole of that period have~~  
23 ~~been at least equal to the amount of the dividends paid.~~

24 e. ~~In applying the dividend and earnings test under this section to any~~  
25 ~~issuing, assuming, or guaranteeing corporation, if the corporation~~  
26 ~~acquired its property or any substantial part thereof within a five-year~~  
27 ~~period immediately preceding the date of investment by~~  
28 ~~consolidation, merger, or by the purchase of all or a substantial~~  
29 ~~portion of the property of any other corporation or corporations, or~~  
30 ~~acquired the assets of any unincorporated business enterprise by~~  
31 ~~purchase or otherwise, the dividends and net earnings of the several~~  
32 ~~predecessor or constituent corporations or enterprises shall be~~  
33 ~~consolidated and adjusted so as to ascertain whether or not the~~  
34 ~~applicable requirements of this subdivision have been complied with.~~  
35 by the State Treasurer in any equity securities represented in the S&P  
36 500 Index or that have been publicly announced to be included in the  
37 S&P 500 Index. No more than one and one-half percent (1 1/2%) of  
38 the market value of the Retirement Systems' assets that may be  
39 invested directly under this subdivision can be invested in the stock  
40 of a single corporation, and the total number of shares in that single  
41 corporation cannot exceed eight percent (8%) of the issued and  
42 outstanding stock of that corporation.

43 d. to f. Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.

44 g. ~~That investments may be made in securities convertible into common~~  
45 ~~stocks issued by any such company, if such securities bear one of the~~  
46 ~~four highest ratings of at least one nationally recognized rating~~  
47 ~~service and do not bear a rating below the four highest by any~~  
48 ~~nationally recognized rating service which may then rate the~~  
49 ~~particular security.~~

50 (9) With respect to Retirement Systems' assets, as defined in subdivision (b)(8)  
51 of this subsection, they may be invested in limited partnership interests in a

partnership or in interests in a limited liability company interests in limited partnerships, limited liability companies, or other limited liability investment vehicles that are not publicly traded if the primary purpose of the partnership or limited liability company limited partnership, limited liability company, or other limited liability investment vehicle is to invest in public or private debt, public or private equity, or corporate buyout transactions, within or outside the United States. The amount invested under this subdivision (b)(9) shall not exceed five percent (5%) of the market value of all invested assets of the Retirement Systems.

(9a) With respect to Retirement Systems' assets, as defined in subdivision (b)(8) of this subsection, they may be invested in inflation-linked bonds, timberlands, commodities, and other assets that are acquired for the primary purpose of providing protection against risks associated with inflation, provided such investments are made through investment companies registered under the Investment Company Act of 1940, individual, common or collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by this subdivision and through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by this subdivision, provided the investment manager for each investment pursuant to this subdivision has assets under management of at least one hundred million dollars (\$100,000,000) and provided that the investments authorized under this subdivision shall not exceed five percent (5%) of the market value of all invested assets of the Retirement Systems. Notwithstanding anything in this subsection to the contrary, the investments authorized by this subdivision shall not be included in any subdivision other than this subdivision for purposes of the percentage investment limitations therein or otherwise.

(10) Recodified as part of subdivision (b)(9) by Session Laws 2000-160, s. 2.

(11) With respect to assets of the Escheat Fund, obligations of the North Carolina Global TransPark Authority authorized by G.S. 63A-4(a)(22), not to exceed twenty-five million dollars (\$25,000,000), that have a final maturity not later than October 1, 2009. The obligations shall bear interest at the rate set by the State Treasurer. No commitment to purchase obligations may be made pursuant to this subdivision after September 1, 1993, and no obligations may be purchased after September 1, 1994. In the event of a loss to the Escheat Fund by reason of an investment made pursuant to this subdivision, it is the intention of the General Assembly to hold the Escheat Fund harmless from the loss by appropriating to the Escheat Fund funds equivalent to the loss.

If any part of the property owned by the North Carolina Global TransPark Authority now or in the future is divested, proceeds of the divestment shall be used to fulfill any unmet obligations on an investment made pursuant to this subdivision.

(12) With respect to assets of the Escheat Fund, in addition to those investments authorized by subdivisions (1) through (6) of this subsection, up to twenty percent (20%) of such assets may be invested in the investments authorized under subdivisions (7) through (9) of this subsection, subsection (b) notwithstanding the percentage limitations imposed on the retirement funds Retirement Systems' investments under those subdivisions.

(b1) With respect to investments authorized by ~~subsections~~ subdivisions (b)(8) and (b)(9) of this section, the State Treasurer shall appoint an Investment Advisory Committee, which shall consist of five members: the State Treasurer, who shall be chairman ex officio; two members selected from among the members of the boards of trustees of the Retirement Systems; and two members selected from the general public. The two public members must have experience in one or more of the following areas: investment management, real estate investment trusts, real estate development, venture capital investment, or absolute return strategies. The State Treasurer shall also appoint a Secretary of the Investment Advisory Committee who need not be a member of the committee. Members of the committee shall receive for their services the same per diem and allowances granted to members of the State boards and commissions generally. The committee shall have advisory powers only and membership shall not be deemed a public office within the meaning of Article VI, Section 9 of the Constitution of North Carolina or G.S. 128-1.1.

(b2) The State Treasurer may invest funds deposited pursuant to subdivision (a)(17f) of this section in any of the investments authorized under subdivisions (1) through ~~(6)(6)~~, subdivision (6c) and subdivision (8) of subsection (b) (8)(b) of this section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. The State Treasurer may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and may assess a reasonable ~~fee, fees~~, not to exceed 15 basis ~~points, points~~ per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant to this subsection by a hospital shall remain the funds of that hospital, and interest or other investment income earned thereon shall be prorated and credited to the contributing hospital on the basis of the amounts thereof contributed, figured according to sound accounting principles. Fees assessed by the State Treasurer may be used to defray the cost of administering investments pursuant to this subdivision.

(b3) The State Treasurer may invest funds deposited pursuant to subdivision (a)(16a) of this section in any of the investments authorized under subdivisions (1) through ~~(6)(6)~~, subdivision (6c) and subdivision (8) of subsection (b) (8)(b) of this section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. The State Treasurer may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and may assess a reasonable ~~fee, fees~~, not to exceed 15 basis ~~points, points~~ per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant to this subsection by the University of North Carolina Hospitals at Chapel Hill shall remain the funds of the University of North Carolina Hospitals at Chapel Hill, and interest or other investment income earned thereon shall be prorated and credited to the University of North Carolina Hospitals at Chapel Hill on the basis of the amounts thereof contributed, figured according to sound accounting principles. Fees assessed by the State Treasurer may be used to defray the cost of administering investments pursuant to this subdivision.

(b4) In addition to the investments authorized under subdivisions ~~(b)(1) through (b)(6)~~ of this section, the State Treasurer may invest funds deposited in the Local Government Other Post-Employment Benefits Fund in any of the investments authorized under subdivision subdivisions (b)(6c) and (b)(8) of this section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. For investments from that Fund made under ~~subdivision subdivisions (b)(6c) and (b)(8)~~ of this section, the State Treasurer may require a minimum deposit of up to one hundred thousand dollars (\$100,000) and may assess a ~~fee, fees~~ of up to 15 basis points per annum as a condition of making the investment. The fee may be used to defray the costs of administering the Fund.

(b5) In addition to the investments authorized under subdivisions ~~(b)(1) through (b)(6)~~ of this section, the State Treasurer may invest funds deposited in the Local Government Law Enforcement Special Separation Allowance Fund in any of the investments authorized under subdivision subdivisions (b)(6c) and (b)(8) of this section, notwithstanding the

1 percentage limitations imposed on the Retirement Systems' investments therein. For  
2 investments from that Fund made under ~~subdivision~~ subdivisions (b)(6c) and (b)(8) of this  
3 section, the State Treasurer may require a minimum deposit of up to one hundred thousand  
4 dollars (\$100,000) and may assess ~~a fee~~ fees of up to 15 basis points per annum as a condition  
5 of making the investment. The fee may be used to defray the costs of administering the Fund.

6 (c) Repealed by Session Laws 1995, c. 501, s. 2.

7 (d) The State Treasurer may invest funds deposited pursuant to subdivision (a)(17i) of  
8 this section in any of the investments authorized under subdivisions (1) through (6) and  
9 subdivision (8) of subsection (b) of this section. The State Treasurer may require a minimum  
10 deposit, up to one hundred thousand dollars (\$100,000), and may assess a reasonable fee, not to  
11 exceed 15 basis points, as a condition of participation pursuant to this subsection. Funds  
12 deposited pursuant to this subsection shall remain the funds of the North Carolina Conservation  
13 Easement Endowment Fund, and interest or other investment income earned thereon shall be  
14 prorated and credited to the North Carolina Conservation Easement Endowment Fund on the  
15 basis of the amounts thereof contributed, figured according to sound accounting principles."

16 **SECTION 2.** This act is effective when it becomes law.





## SENATE BILL 703: State Treasurer Investments

2009-2010 General Assembly

Committee: Senate Finance  
Introduced by: Sen. Rand  
Analysis of: First Edition

Date: April 27, 2009  
Prepared by: Heather Fennell  
Committee Counsel

**SUMMARY:** *Senate Bill 703 makes several changes related to the investment authority of the State Treasurer.*

[As introduced, this bill was identical to H1507, as introduced by Rep. Gibson, which is currently in House Pensions and Retirement, if favorable, Finance.]

**CURRENT LAW:** Article 6 of Chapter 147 outlines the authority and responsibilities of the State Treasurer. One of the responsibilities of the Treasurer is to invest funds held by the Treasurer as authorized by statute. G.S. 147-69.2 outlines the investment authority of the Treasurer for the following special funds:

- |   |   |
|---|---|
| (1) The Teachers' and State Employees' Retirement System.   | (17) Trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1. |
| (2) The Consolidated Judicial Retirement System.  | (17a) North Carolina Veterans Home Trust Fund.  |
| (3) The Teachers' and State Employees' Hospital and Medical Insurance Plan.   | (17b) North Carolina National Guard Pension Fund.   |
| (4) The General Assembly Medical and Hospital Care Plan.  | (17c) Retiree Health Premium Reserve Account.   |
| (5) The Disability Salary Continuation Plan.  | (17d) The Election Fund.  |
| (6) The Firemen's and Rescue Workers' Pension Fund.   | (17e) The North Carolina State Lottery Fund.  |
| (7) The Local Governmental Employees' Retirement System.  | (17f) Funds deposited with the State Treasurer by public hospitals pursuant to G.S. 159-39(g).  |
| (8) The Legislative Retirement System.  | (17g) The Local Government Other Post-Employment Benefits Fund.   |
| (9) The Escheat Fund.   | (17h) The Local Government Law Enforcement Special Separation Allowance Fund.   |
| (10) The Legislative Retirement Fund.   | (17i) The North Carolina Conservation Easement Endowment Fund.  |
| (11) The State Education Assistance Authority.  | (17j) The Conservation Grant Fund.  |
| (12) The State Property Fire Insurance Fund.  | (18) Any other special fund created by or pursuant to law for purposes other than meeting appropriations made pursuant to the Executive Budget Act. |
| (13) The Stock Workers' Compensation Fund.  | (19) The Swain County Settlement Trust Fund.  |
| (14) The Mutual Workers' Compensation Fund.   |   |
| (15) The Public School Insurance Fund.  |   |
| (16) The Liability Insurance Trust Fund.  |   |
| (16a) The University of North Carolina Hospitals at Chapel Hill funds, except appropriated funds, deposited with the State Treasurer pursuant to G.S. 116-37.2. |   |

**BILL ANALYSIS:** Senate Bill 703 amends investment authority of the State Treasurer regarding these funds by amending the following subdivisions of G.S. 147-69.2:

- (b)(4) Authorizes the investment of funds in obligations that are convertible into equity securities. These newly authorized investments, and the currently authorized investments in obligations must meet either of the following:
  - (i) When acquired, bear one of the four highest ratings of at least one nationally recognized rating service and do not bear a rating below the four

# Senate Bill 703

Page 2

highest by any nationally recognized ratings service which rates the particular security.

- (ii) When acquired, bear the fifth highest rating of at least one nationally recognized rating service and do not bear a rating below the fifth highest rating by any nationally recognized rating service which rates the particular security, provided that the obligations are additional securities that are identical to obligations previously acquired pursuant to (i).
- (b)(6) Amends the authorization to invest in asset-backed securities to require that the securities meet either of the following:
  - (i) When acquired, bear one of the four highest ratings of at least one nationally recognized rating service and do not bear a rating below the four highest by any nationally recognized ratings service which rates the particular security.
  - (ii) When acquired, bear the fifth highest rating of at least one nationally recognized rating service and do not bear a rating below the fifth highest rating by any nationally recognized rating service which rates the particular security, provided that the obligations are additional securities that are identical to obligations previously acquired pursuant to (i).
- (b)(6a) The assets of the Teachers' and State Employees' Retirement System (TSERS), the Consolidated Judicial Retirement System (CJRS), the Firemen's and Rescue Workers' Pension Fund, the Local Governmental Employees' Retirement System (LGERS), the Legislative Retirement System, and the North Carolina National Guard Pension Fund, are collectively referred to as Retirement Systems. Limits the authority to invest assets of the Retirement Systems so that no more than 20% of the assets may be invested in investments authorized by G.S. 147-69.2(b)(1)-(b)(6).
- (b)(6b) Authorizes the Treasurer to make investments authorized by G.S. 147-69.2(b)(1)-(b)(6) directly, or indirectly through contractual arrangements provided that indirect investments must be managed by an investment manager that has assets under management of at least \$100,000,000.
- (b)(6c) Permits the Retirement Systems assets may be invested in obligations and other debt securities, including debt securities convertible into other securities, that do not meet the requirements of subdivisions (b)(1)-(6) and (7) as long as the investments meet all of the following:
  - The investments must be made through the following: investment companies registered under the Investment Company Act of 1940, individual, common collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by the subdivision.
  - The investment manager for each investment must have assets under management of at least \$100,000,000.
  - The investments may not exceed 5% of the market value of all invested assets of the Retirement Systems.
- (b)(8) Removes the allowance that up to 5% of the Retirement Systems may be invested in the stocks or shares of a diversified investment company registered under the Investment Company Act of 1940 that has total assets of \$50,000. As long as each investment manager

# Senate Bill 703

Page 3

has assets under management of at least \$100,000,000, the assets authorized under the subdivision can be invested through the following:

- Investment companies registered under the Investment Company Act of 1940.
  - Individual, common, or collective trust funds of banks and trust companies.
  - Group trusts.
  - Contractual arrangements in which investment managers have full and complete discretion and authority to invest assets specified in such contractual arrangements.
- (b)(8) Authorizes the investment of Retirement Systems assets may be invested directly by the State Treasurer in any equity securities represented, or publicly announced to be included, in the S&P 500 Index. Removes certain requirements related to Retirement Systems assets being invested directly in common or preferred stock.
  - (b)(9) Permits the Retirement Systems assets to be invested in interests in limited partnerships, limited liability companies, or other limited liability investment vehicles that are not publicly traded if the primary purpose is to invest in public or private equity or corporate buyout transactions within or outside the US.
  - (b)(9a) Permits the Retirement Systems assets to be invested in inflation-linked bonds, timberlands, commodities, and other assets that are acquired for the primary purpose of providing protection against risks associated with inflation. The investments must be made as previously prescribed in other subdivision changes and the investments may not exceed 5% of the market value of all invested assets of the Retirement Systems. The investments authorized by this subdivision can not be included in any other subdivision for purposes of the percentage investment limitations.
  - (b2) and (b3) Make technical clarifications to the provisions related to public hospitals and UNC Hospitals.
  - (b4) and (b5) Make technical clarifications to provisions related to the OPEB and Local Government Law Enforcement Separation Allowance Fund.

**EFFECTIVE DATE:** This act is effective when it becomes law.

*S703-SMTD-33(e1) v5*

**NORTH CAROLINA GENERAL ASSEMBLY**

**PENSIONS AND RETIREMENT  
2009-2010 SESSION**



**Representative Tucker**  
**Chair**



**Representative Bell**  
**Vice Chair**



**Representative Folwell**  
**Vice Chair**



**Representative Holloway**  
**Vice Chair**



**Representative Hurley**  
**Vice Chair**



**Representative McGee**  
**Vice Chair**



**Representative  
Farmer-Butterfield**



**Representative McLawhorn**



**Representative Ross**



**Representative Tolson**

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND  
RETIREMENT.

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☐ Committee Substitute for  
SB 703      A BILL TO BE ENTITLED AN ACT CONCERNING INVESTMENTS OF  
THE STATE TREASURER.

☒ Without prejudice and recommendation that the bill be re-referred to the Committee on  
FINANCE.

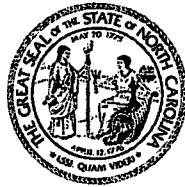
**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on  
\_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution  
(No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_)  
is placed on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the  
Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute  
Bill/(Joint) resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.



North Carolina General Assembly  
**House Committee on Pensions & Retirement**

**MINUTES**

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Wednesday, June 3, 2009

The House Committee on Pensions and Retirement met Wednesday, June 3, 2009 at 10:00 a.m. in Room 415 of the Legislative Office Building. The following members were present: Representative Tucker, Chair, Representatives Bell, Folwell, Holloway, Hurley and McGee, Vice Chairs, Representatives Farmer-Butterfield, McLawhorn, Ross and Tolson. Twenty-nine visitors were present and a visitor's registration sheet is attached as part of these minutes.

The Chair called the meeting to order and asked the Pages to introduce themselves. They were Amanda Farquharson, Johnston County, sponsored by Representative Daughtry and MaKayla Kasey, Columbus County, sponsored by Representative Barnhart. Reggie Sills and Young Bae served as Sergeant-at-Arms.

Chairman Tucker recognized Senator Purcell to present **SB 204 - AN ACT TO ENABLE RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM TO RETURN TO EMPLOYMENT AS NURSING INSTRUCTORS WITHOUT LOSING RETIREMENT BENEFITS.** (*Attachment #1*). Senator Purcell explained the bill stating there is a shortage of nurses and this bill would help provide more teachers of nursing. This bill is identical to H 329 as introduced by Representative England. Representative McLawhorn moved for a favorable report and send on to floor of the House. Motion carried. Representative England will handle on floor.

The Chair recognized Senator Rand to present SB 133 - **AN ACT TO ADJUST THE LIMIT ON THE MONTHLY PENSION AMOUNT PAYABLE FROM THE REGISTERS OF DEEDS' SUPPLEMENTAL PENSION FUND.**

*(Attachment #2).* Senator Rand explained the bill. Representative McLawhorn moved for a favorable report and re-refer to the Committee on appropriations. Motion passed.

Senator Brunstetter was called on to present SB 411 - **AN ACT TO AMEND THE PROVISION FOR THE SURVIVOR'S ALTERNATE BENEFIT FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL, EMPLOYEES' RETIREMENT OFFICERS KILLED IN THE LINE OF DUTY AFTER THE COMPLETION OF FIFTEEN YEARS OF SERVICE.** *(Attachment #3).* Senator Brunstetter explained the bill and said it is identical to H 766 introduced by Representative Womble, Parmon, Mobley and Jones. Representative McGee moved for a favorable report and send to floor of the House. Motion carried. Representative Womble will handle on the House floor.

The Chair recognized Senator McKissick to present SB 468 - **AN ACT TO AUTHORIZE COUNTIES TO PROVIDE HEALTH INSURANCE BENEFITS TO FORMER EMPLOYEES WHO ARE NOT RECEIVING RETIREMENT BENEFITS.** *(Attachment #4).* A PCS was presented and Representative McLawhorn moved to approve it for consideration. Motion passed. Representative McKissick explained the bill. Representative Bell moved to give the PCS a favorable report, unfavorable to the original and re-refer to the Committee on Insurance. Motion passed.

Senator Nesbitt was recognized by the Chair to explain SB 632 - **AN ACT TO ENACT THE TREASURER'S GOVERNANCE AND TRANSPARENCY ACT OF 2009.** *(Attachment #5).* Senator Nesbitt explained this bill is an agency bill and would increase the membership of the State Treasurer's Investment Advisory Committee from five to seven members, by adding two public members. This bill is identical to H 556 introduced by Representatives Folwell, McGee, Owens and Randleman. An amendment was presented by Representative Folwell. Tony Solari from the Treasurer's office spoke to the amendment. Representative Ross made a motion to roll the amendment into a PCS and give the PCS a favorable report, unfavorable to the original and re-refer to the committee on Finance. Motion passed.

The Chair recognized Representative Cole to explain Senator Berger's bill SB 863 - AN ACT TO PROVIDE FOR THE PURCHASE OF CREDITABLE SERVICE BY MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM FOR CERTAIN PERIODS OF NONQUALIFIED EMPLOYMENT.

(Attachment #6). A PCS was presented and Representative Hurley moved to approve the PCS for consideration. Motion carried. Representative Cole asked Staff Stanley Moore to help explain the bill. After questions and discussion, the sponsor asked that the bill be pulled from the calendar. Chair accepted his request.

There being no further business, the Chair adjourned the meeting at 10:37 a.m.

Respectfully submitted,

  
Representative Russell Tucker, Chair

  
Sally Gillis/Committee Assistant



# **AGENDA**

## **HOUSE COMMITTEE ON PENSIONS AND RETIREMENT**

**Wednesday, June 3, 2009**

**Room 415 LOB**

**10:00 A.M.**

### **OPENING REMARKS**

<b>SB 133</b>	<b>REGISTERS OF DEEDS' PENSION</b>	<b>Senator Rand</b>
<b>SB 204</b>	<b>RETIRED NURSES RETURN TO WORK</b>	<b>Senator Purcell</b>
<b>SB 411</b>	<b>AMEND SURVIVOR'S ALTERNATE BENEFIT</b>	<b>Senator Brunstetter</b>
<b>SB 468</b>	<b>AUTHORIZE INSURANCE FOR FORMER EMPLOYEES</b>	<b>Senator McKissick</b>
<b>SB 632</b>	<b>TREASURER'S GOVERNANCE &amp; TRANSPARENCY ACT</b>	<b>Senator Nesbitt, Jr.</b>
<b>SB 863</b>	<b>PURCHASE SERVICE/CERTAIN EMPLOYMENT</b>	<b>Senator P. Berger</b>

### **ADJOURNMENT**

**AMENDED NOTICE**  
**NORTH CAROLINA HOUSE OF REPRESENTATIVES**  
**COMMITTEE MEETING NOTICE**  
**AND**  
**BILL SPONSOR NOTIFICATION**  
**2009-2010 SESSION**

You are hereby notified that the Committee on **Pensions and Retirement** will meet as follows:

**DAY & DATE:**      **Wednesday, June 3, 2009**

**TIME:**              **10:00 A.M.**

**LOCATION:**         **Room 415 LOB**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

<u>Bill #</u>	<u>Short Title</u>	<u>Sponsor</u>
SB 133	REGISTERS OF DEEDS' PENSION	Senator Rand
SB 204	RETIRED NURES RETURN TO WORK	Senator Purcell
SB 411	AMEND SURVIVOR'S ALTERNATE BENEFIT	Senator Brunstetter
SB 468	AUTHORIZE INSURANCE FOR FORMER EMPLOYEES	Senator McKissick
SB 632	TREASURER'S GOVERNANCE & TRANSPARENCY ACT	Senator Nesbitt, Jr.
SB 863	PURCHASE SERVICE/CERTAIN EMPLOYMENT	Senator Berger

Respectfully,

Representative Russell Tucker  
Chairman

I hereby certify this notice was filed by the committee assistant at the following offices at **1:00 p.m. on June 2, 2009.**

\_\_\_\_ Principal Clerk  
\_\_\_\_ Reading Clerk - House Chamber

Sally Gillis, Committee Assistant

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

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**SENATE BILL 204**

Short Title: Retired Nurses Return to Work.

(Public)

Sponsors: Senators Purcell; Albertson, Allran, Atwater, Berger of Franklin, Bingham, Boseman, Brown, Clodfelter, Dannelly, Davis, Foriest, Forrester, Garrou, Goss, Graham, Hartsell, Kinnaid, Malone, McKissick, Nesbitt, Preston, Queen, Rand, Rouzer, Snow, Stein, Swindell, and Tillman.

Referred to: Pensions & Retirement & Aging.

February 18, 2009

A BILL TO BE ENTITLED  
AN ACT TO ENABLE RETIREES OF THE TEACHERS' AND STATE EMPLOYEES'  
RETIREMENT SYSTEM TO RETURN TO EMPLOYMENT AS NURSING  
INSTRUCTORS WITHOUT LOSING RETIREMENT BENEFITS.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 135-3(8)c. reads as rewritten:

"c. Should a beneficiary who retired on an early or service retirement allowance under this Chapter be reemployed by, or otherwise engaged to perform services for, an employer participating in the Retirement System on a part time, temporary, interim, or on a fee for service basis, whether contractual or otherwise, and if such beneficiary earns an amount during the 12 month period immediately following the effective date of retirement or in any calendar year which exceeds fifty percent (50%) of the reported compensation, excluding terminal payments, during the 12 months of service preceding the effective date of retirement, or twenty thousand dollars (\$20,000), whichever is greater, as hereinafter indexed, then the retirement allowance shall be suspended as of the first day of the month following the month in which the reemployment earnings exceed the amount above, for the balance of the calendar year, except when the reemployment earnings exceed the amount above in the month of December, in which case the retirement allowance shall not be suspended. The retirement allowance of the beneficiary shall be reinstated as of January 1 of each year following suspension. The amount that may be earned before suspension shall be increased on January 1 of each year by the ratio of the Consumer Price Index to the Index one year earlier, calculated to the nearest tenth of a percent (1/10 of 1%).

The computation of postretirement earnings of a beneficiary under this sub-subdivision, who retired on or before October 1, 2007, and who has been retired at least six months and has not been employed in any capacity with a public school for at least six months immediately preceding the effective date of reemployment, shall not include earnings while the beneficiary is employed to teach in a



1 permanent full-time or part-time capacity that exceeds fifty percent  
2 (50%) of the applicable workweek in a public school. The  
3 Department of Public Instruction shall certify to the Retirement  
4 System that a beneficiary is employed to teach by a local school  
5 administrative unit under the provisions of this sub-subdivision and  
6 as a retired teacher as the term is defined under the provisions of  
7 G.S. 115C-325(a)(5a).

8 The computation of postretirement earnings of a beneficiary  
9 under this sub-subdivision, who retired after October 1, 2007, after  
10 attaining (i) the age of at least 65 with five years of creditable  
11 service; or (ii) the age of at least 60 with 25 years of creditable  
12 service; or (iii) 30 years of service; and who has been retired at least  
13 six months and has not been employed in any capacity with a public  
14 school for at least six months immediately preceding the effective  
15 date of reemployment, shall not include earnings while the  
16 beneficiary is employed to teach in a permanent full-time or  
17 part-time capacity that exceeds fifty percent (50%) of the applicable  
18 workweek in a public school. The Department of Public Instruction  
19 shall certify to the Retirement System that a beneficiary is employed  
20 to teach by a local school administrative unit under the provisions of  
21 this sub-subdivision and as a retired teacher as the term is defined  
22 under the provisions of G.S. 115C-325(a)(5a).

23 The computation of postretirement earnings of a beneficiary  
24 under this sub-subdivision who retired on or before June 1, 2009,  
25 regardless of age or years of creditable service, or who retires on or  
26 after July 1, 2009, after attaining (i) the age of at least 65 with five  
27 years of creditable service; or (ii) the age of at least 60 with 25 years  
28 of creditable service; or (iii) 30 years of service; and who has been  
29 retired at least six months and has not been employed in any capacity  
30 with a State-supported community college or a State-supported  
31 university for at least six months immediately preceding the effective  
32 date of reemployment, shall not include earnings while the  
33 beneficiary is employed to teach in a permanent full-time or  
34 part-time capacity that exceeds fifty percent (50%) of the applicable  
35 workweek as a nursing instructor in a certified nursing program for a  
36 maximum period of three years.

37 In order for a retired nursing instructor to be rehired, the  
38 community college or university must certify to the Teachers' and  
39 State Employees' Retirement System that it has a shortage of  
40 qualified nursing instructors, and must:

- 41 1. Make a good faith effort to fill positions with qualified  
42 nursing instructors who are not retirees;
- 43 2. Post the vacancy or vacancies for at least two months;
- 44 3. Solicit applications through local newspapers, other media,  
45 and nursing education programs; and
- 46 4. Determine that there is an insufficient number of eligible  
47 applicants for the advertised position or positions.

48 The North Carolina Community College System and The University  
49 of North Carolina shall certify to the Retirement System that a  
50 beneficiary is employed to teach as a nursing instructor with a

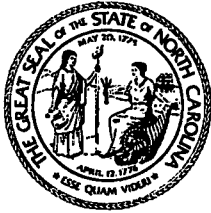
1                    State-supported community college or a State-supported university  
2                    under the provisions of this sub-subdivision.

3                    Beneficiaries employed under this sub-subdivision are not  
4                    entitled to any benefits otherwise provided under this Chapter as a  
5                    result of this period of employment."

6                    **SECTION 2.** Notwithstanding any other provision of law, effective July 1, 2009,  
7                    each community college or university employing a retired nursing instructor under the  
8                    provisions of G.S. 135-3(8)c. shall pay to the Teachers' and State Employees' Retirement  
9                    System a Reemployed Nurse Contribution Rate of eleven and seventy-hundredths percent  
10                    (11.70%) as a percentage of covered salaries being paid to the retired nursing instructors who  
11                    are exempt from the earnings cap under this act. Each community college or university shall  
12                    report monthly to the Retirement Systems Division on payments made pursuant to this section.

13                    **SECTION 3.** The North Carolina Community College System and The University  
14                    of North Carolina shall report in writing to the General Assembly by January 1, 2011, on  
15                    whether the reemployment of retired nursing instructors under this act is effectively assisting  
16                    the community colleges and the universities to address the shortage of qualified nursing  
17                    instructors.

18                    **SECTION 4.** This act becomes effective July 1, 2009, and expires June 30, 2013.



## SENATE BILL 204: Retired Nurses Return to Work

2009-2010 General Assembly

**Committee:** House Pensions and Retirement  
**Introduced by:** Sen. Purcell  
**Analysis of:** First Edition

**Date:** June 2, 2009  
**Prepared by:** Karen Cochrane-Brown  
Committee Counsel

**SUMMARY:** *House Bill 329 removes the earnings cap for certain retirees of the Teachers' and State Employees' Retirement System when the retiree is employed to teach as a nursing instructor in a certified nursing program, the individual retired before June 1, 2009 or meets certain age and service requirements, the retiree is employed in a full-time position or part-time position exceeding 50% of the applicable workweek for a maximum of three years, and provided the Community College or University has taken steps to ensure that there are no other qualified nursing instructors available. The bill requires a Reemployed Nurse Contribution Rate and a report to the General Assembly on the effectiveness of this measure in addressing the shortage of qualified nursing instructors. House Bill 329 would become effective July 1, 2009, and expire June 30, 2013.*

[As introduced, this bill was identical to H329, as introduced by Reps. England, Wilkins, Rapp, which is currently in House Health, if favorable, Pensions and Retirement.]

### CURRENT LAW:

Retirees of the Teachers' and State Employees' Retirement System (TSERS) are subject to an earnings cap when returning to employment on a temporary or contractual basis, or employed in any other type of arrangement, that does not require membership in the TSERS. A Retiree's retirement payment will be stopped if his or her earnings during the 12-month period immediately following the effective date of retirement or during any calendar year exceed the earnings limitation, which is calculated as the *greater* of \$28,080, or 50% of his/her compensation reported to the Retirement System during the 12 months of service preceding the effective date of their retirement. This compensation excludes termination payments and the amount is increased on January 1 each year by the percentage increase in the Consumer Price Index. Currently the only exception to this situation is for teachers.

### BILL ANALYSIS:

Section 1 of Senate Bill 204 provides that the computation of postretirement earnings of a Teachers' and State Employees' Retirement System (TSERS) beneficiary meeting the criteria below will not include earnings while the beneficiary is employed to teach in a permanent full-time or part-time capacity that exceeds 50% of the applicable workweek as a nursing instructor. This employment must be in a certified nursing program and for a maximum of three (3) years. This exemption from the earnings restriction would require that the retiree:

- retired on or before June 1, 2009, regardless of age or years of creditable service, or
- retires on or after July 1, 2009, after attaining
  - (i) the age of at least 65 with five years of creditable service; or
  - (ii) the age of at least 60 with 25 years of creditable service; or
  - (iii) 30 years of service;

and

- has been retired at least six months and has not been employed in any capacity with a State supported community college or a State-supported university for at least six (6) months immediately preceding the effective date of reemployment.

# Senate Bill 204

Page 2

The bill requires the North Carolina Community College System and The University of North Carolina to certify to the TSERS that a beneficiary is employed as a nursing instructor with a State-supported community college or a State-supported university. This certification process includes a requirement that in order for a retired nursing instructor to be rehired, the community college or university must certify to the TSERS that it has a shortage of qualified nursing instructors by all of the following:

- Making a good faith effort to fill positions with qualified nursing instructors who are not retirees.
- Posting the vacancy or vacancies for at least two months.
- Soliciting applications through local newspapers, other media, and nursing education programs.
- Determining that there is an insufficient number of eligible applicants for the advertised position or positions.

Section 2 requires that effective July 1, 2009, each community college or university employing a retired nursing instructor must pay to the TSERS a Reemployed Nurse Contribution Rate of 11.70% as a percentage of covered salaries being paid to the retired nursing instructors who are exempt from the earnings cap. Additionally, each community college or university is required to report monthly to the Retirement Systems Division on payments made as a result of this section.

Section 3 of the bill requires that by January 1, 2011, the North Carolina Community College System and The University of North Carolina must provide a written report to the General Assembly on whether the reemployment of retired nursing instructors is effectively addressing the shortage of qualified nursing instructors.

## **EFFECTIVE DATE:**

This bill would become effective July 1, 2009 and expire June 30, 2013.

*Theresa Matula, staff to House Health, substantially contributed to this summary.*

*S204-SMRO-113(e1) v1*

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☐ Committee Substitute for

**SB 204**      A BILL TO BE ENTITLED AN ACT TO ENABLE RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM TO RETURN TO EMPLOYMENT AS NURSING INSTRUCTORS WITHOUT LOSING RETIREMENT BENEFITS.

☒ With a favorable report.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of \_\_\_\_\_.



ID = N 329

\_\_\_\_\_

1

## RETIREMENT BENEFITS

Introduced by Senator(s)  
 Brennan  
 J. T. Ellner  
 Smith  
 Murphy  
 Harbort  
 Malone  
 Gray  
 J. J. Snow  
 Allman

Purcell Purcell  
Dajineb  
Lynch  
Steve Boss  
McKinnell  
Giles  
W. H. H. H.  
Giles  
Charlotte  
V. E. Soudy

~~Dr. M. J. G.~~  
~~Vad. M. J. G.~~  
Young & Co.  
Hankin

Grattor  
by  
Black  
M. K.  
R.  
G.  
D.

**FILED FEB 17 2009**

FEB 18 2009

ON Per, Ret & Aging

... Retirement & Aging  
... was referred, a majority being  
... ing, has carefully considered the  
... and recommend that it do ✓ pass.

  
The Committee

REPORTED FAVORABLY MAR 19 2009

450 MAR 23 2009 VV

Janet Pruitt

RECEIVED

MAR 24 2009 3:47p-  
9-

MAR 25 2009

# Non-Healthcare

## Pensions & Retirement

The Committee on Health -----  
a majority being present, having considered  
this bill, recommend that it do ☒ pass.

Rep (S) England & Ink  
For the Committee

and be re-referred to the  
Committee on Pensions & Retirement

**REPORTED FAVORABLY**

MAY 25 2009

The Committee on Homeland Security, Military  
Veterans Affairs  
a majority being present, having considered  
this bill, recommend that it do ☒ pass.  
☐ pass.

Rep. Larry D. Hall

For the Committee

and be re-referred to the Committee  
on Pensions and Retirement.

**REPORTED FAVORABLY**

MAY 27 2009

AND RE-REFERRED TO  
~~APPROPRIATIONS FINANCE~~

Pensions & Ret.



**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

S

2

**SENATE BILL 133  
Pensions, Retirement & Aging Committee Substitute Adopted 5/7/09**

Short Title: Registers of Deeds' Pension.

(Public)

Sponsors:

Referred to:

February 12, 2009

A BILL TO BE ENTITLED

AN ACT TO ADJUST THE LIMIT ON THE MONTHLY PENSION AMOUNT PAYABLE  
FROM THE REGISTERS OF DEEDS' SUPPLEMENTAL PENSION FUND.

The General Assembly of North Carolina enacts:

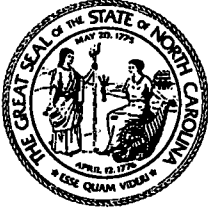
**SECTION 1.** G.S. 161-50.5(a) reads as rewritten:

"(a) An eligible retired register of deeds shall be entitled to receive an annual pension benefit, payable in equal monthly installments, equal to one share for each full year of eligible service as register of deeds multiplied by his total number of years of eligible service. The amount of each share shall be determined by dividing the total number of years of eligible service for all eligible retired registers of deeds on December 31 of each calendar year into the amount to be disbursed as monthly pension payments in accordance with the provisions of G.S. 161-50.3. In no event, however, shall a monthly pension under this Article exceed an amount which, when added to a retirement allowance under the maximum allowance at retirement from the Local Governmental Employees' Retirement System or an equivalent locally sponsored plan, is greater than seventy-five percent (75%) of a register of deed's equivalent annual salary immediately preceding retirement computed on the latest monthly rate, including any and all supplements, to a maximum amount of one thousand five hundred dollars (\$1,500)."

**SECTION 2.** Section 1 of this act shall not apply to any retiree of the Register of Deeds' Supplemental Pension Fund. Section 1 of this act shall not apply to any register of deeds who is serving as of the effective date of this bill.

**SECTION 3.** This act is effective when it becomes law.





## SENATE BILL 133: Registers of Deeds' Pension

2009-2010 General Assembly

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<b>Committee:</b>	House Pensions and Retirement, if favorable, Appropriations	<b>Date:</b>	June 2, 2009
<b>Introduced by:</b>	Sen. Rand	<b>Prepared by:</b>	Karen Cochran-Brown
<b>Analysis of:</b>	Second Edition		Committee Counsel

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**SUMMARY:** *Senate Bill 133 changes the limit on the Registers of Deeds' Supplemental Pension Fund monthly pension amount. The act does not apply to any retiree or currently active member of the Register of Deeds Pension Fund.*

### CURRENT LAW:

Article 3 of Chapter 161 provides for the Registers of Deeds' Supplemental Pension Fund with a stated purpose of "supplementing local government retirement benefits in order to attract the most highly qualified talent within the State to the position of register of deeds". The Article outlines the purpose, scope, assets, disbursements, eligibility, and benefits of the pension fund.

G.S. 161-50.5(a) specifies the pension benefit for an eligible retired register of deeds. The pension benefit is payable in equal monthly installments, equal to one share for each full year of eligible service of a register of deeds multiplied by total years of eligible service. The amount of each share is determined by dividing the total number of years of eligible service for all eligible retired registers of deeds on December 31 of each calendar year into the amount to be disbursed as a monthly pension. The current law provides that in no event can a monthly pension exceed 75% of a register of deed's equivalent annual salary immediately preceding retirement. The salary immediately preceding retirement is computed on the latest monthly rate, including any and all supplements, to a maximum amount of \$1,500.

### BILL ANALYSIS:

Section 1 of Senate Bill 133 amends G.S. 161-50.5(a) to adjust the limit on the monthly pension payable to an eligible retired register of deeds. Under the bill the monthly pension must not exceed an amount which, when added to a retirement allowance at retirement from the Local Governmental Employees' Retirement System, or an equivalent locally sponsored plan, is greater than 75% of a register of deed's equivalent annual salary immediately preceding retirement.

Section 2 of the bill specifies that Section 1 does not apply to any retiree or current active member of the Fund.

**EFFECTIVE DATE:** This act is effective when it becomes law.

*Theresa Matula, Staff to Senate Pensions and Retirement, substantially contributed to this summary.*

S133-SMRO-112(e2) v1

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☒ Committee Substitute for

**SB 133**      A BILL TO BE ENTITLED AN ACT TO ADJUST THE LIMIT ON THE MONTHLY PENSION AMOUNT PAYABLE FROM THE REGISTERS OF DEEDS' SUPPLEMENTAL PENSION FUND.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on APPROPRIATIONS.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ The bill/resolution is re-referred to the Committee on \_\_\_\_\_.

# BLIC BILL

*rens, Ret. Aging*  
Proposed Committee Substitute For  
S.B. 133

SESSION LAW \_\_\_\_\_

## A BILL TO BE ENTITLED

AN ACT TO ADJUST THE LIMIT ON THE MONTHLY PENSION AMOUNT PAYABLE FROM THE  
REGISTERS OF DEEDS' SUPPLEMENTAL PENSION FUND.

Introduced by Senator(s)

*Rand*

Principal Clerk's Use Only

Committee Substitute  
Adopted  
Pursuant to Rule 45.1

MAY 7 - 2009

PASSED 2nd & 3rd  
READINGS ✓

*48-0*  
MAY 11 2009

ORDERED SENT TO  
HOUSE OF REPRESENTATIVE

*Pat Smith*

RECEIVED

MAY 12 2009

*5:35 pm*

PASSED 1st READING

MAY 14 2009

AND REFERRED TO COMMITTEE

*ON. Pensions & Retirement*

*J. B. W.* APPROPRIATIONS

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

S

2

**SENATE BILL 411  
Pensions & Retirement & Aging Committee Substitute Adopted 3/26/09**

Short Title: Amend Survivor's Alternate Benefit.

(Public)

Sponsors:

Referred to:

March 5, 2009

A BILL TO BE ENTITLED

AN ACT TO AMEND THE PROVISION FOR THE SURVIVOR'S ALTERNATE BENEFIT FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO PROVIDE A BENEFIT FOR SURVIVORS OF LAW ENFORCEMENT OFFICERS KILLED IN THE LINE OF DUTY AFTER THE COMPLETION OF FIFTEEN YEARS OF SERVICE.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 135-5 (m) reads as rewritten:

"(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the principal beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option 2 of subsection (g) above computed by assuming that the member had retired on the first day of the month following the date of his death, provided that the following conditions apply:

- (1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance,
- b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with G.S. 135-5(b19)(1)b. or G.S. 135-5(b19)(2)c., notwithstanding the requirement of obtaining age 50, or
- b1. The member was a law enforcement officer who had obtained 15 years of service as a law enforcement officer and was killed in the line of duty, in which case the retirement allowance shall be computed in accordance with G.S. 135-5(b19)(1)b., notwithstanding the requirement of obtaining age 50, or
- c. The member had not commenced to receive a retirement allowance as provided under this Chapter.
- (2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who was living at the time of his death.
- (3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection to apply.

For the purpose of this benefit, a member is considered to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as



\* S 4 1 1 - V - 2 \*

provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase. The term "in service" as used in this subsection includes a member in receipt of a benefit under the Disability Income Plan as provided in Article 6 of this Chapter.

Notwithstanding the foregoing, a member who is in receipt of Workers' Compensation during the period for which the member would have otherwise been eligible to receive short-term benefits, as provided in G.S. 135-105, and who dies on or after 181 days from the last day of the member's actual service but on or before the date the benefits as provided in G.S. 135-105 would have ended, shall be considered in service at the time of the member's death for the purpose of this benefit."

**SECTION 2.** G.S. 128-27(m) reads as rewritten:

"(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the principal beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option two of subsection (g) above computed by assuming that the member had retired on the first day of the month following the date of his death, provided that all three of the following conditions apply:

- (1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, or
- b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with G.S. 128-27(b21)(1)b. or G.S. 128-27(b21)(2)c., notwithstanding the requirement of obtaining age 50, or
- b1. The member was a law enforcement officer who had obtained 15 years of service as a law enforcement officer and was killed in the line of duty, in which case the retirement allowance shall be computed in accordance with G.S. 128-27(b21)(1)b., notwithstanding the requirement of obtaining age 50, or
- c. The member had not commenced to receive a retirement allowance as provided under this Chapter.
- (2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who is living at the time of his death.
- (3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection apply.

For the purpose of this benefit, a member is considered to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase."

**SECTION 3.** This act is effective when it becomes law and applies to beneficiaries of law enforcement officers killed in the line of duty on and after January 1, 2007.





## SENATE BILL 411: Amend Survivor's Alternate Benefit

2009-2010 General Assembly

**Committee:** House Pensions and Retirement  
**Introduced by:** Sen. Brunstetter  
**Analysis of:** Second Edition

**Date:** June 2, 2009  
**Prepared by:** Karen Cochrane-Brown  
Committee Counsel

**SUMMARY:** *Senate Bill 411 would amend the laws governing the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System to allow the beneficiary of a law enforcement officer who had at least 15 years of service and who was killed in the line of duty to elect the survivor's alternate benefit.*

[As introduced, this bill was identical to H766, as introduced by Reps. Womble, Parmon, Mobley, Jones, which is currently in Rules and Operations of the Senate.]

### CURRENT LAW:

Under current law, when a member of the State or Local Retirement System dies in service, the member's primary beneficiary is entitled to choose to receive a survivor's alternate benefit in lieu of a return of the member's accumulated contributions. The survivor's alternate benefit is determined by computing the amount the beneficiary would have received if the member had retired and selected a joint and survivor option to provide for the continuation of the member's reduced retirement allowance throughout the life of the beneficiary. In order to receive the benefit, one of the following must apply:

- The member was eligible to retire and receive a full or early retirement allowance;
- The member had 20 years of creditable service, but was not yet 50 years of age, and therefore not eligible for early retirement, in which case, the benefit is computed based on the early retirement formula;
- The member had not yet begun to receive a retirement allowance.

There is currently no provision for the beneficiary of a member who dies with less than 20 years of service to receive the survivor's alternate benefit.

### BILL ANALYSIS:

Senate Bill 411 would amend the law to provide that in the case of a law enforcement officer who dies in the line of duty having obtained 15 years of service, the officer's beneficiary would be entitled to select the survivor's alternate benefit. The benefit would be computed based on the early retirement formula.

**EFFECTIVE DATE:** This act is effective when it becomes law, and applies to beneficiaries of law enforcement officers killed in the line of duty on and after January 1, 2007.

S411-SMRO-114(e2) v1

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☒ Committee Substitute for

**SB 411**        A BILL TO BE ENTITLED AN ACT TO AMEND THE PROVISION FOR THE SURVIVOR'S ALTERNATE BENEFIT FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO PROVIDE A BENEFIT FOR SURVIVORS OF LAW ENFORCEMENT OFFICERS KILLED IN THE LINE OF DUTY AFTER THE COMPLETION OF FIFTEEN YEARS OF SERVICE.

☒ With a favorable report.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of \_\_\_\_\_.

# PUBLIC BILL

*Don't see*  
*Yana Rita Aging*  
Proposed Committee Substitute For

S.B. 411

FD H-766

SESSION LAW \_\_\_\_\_

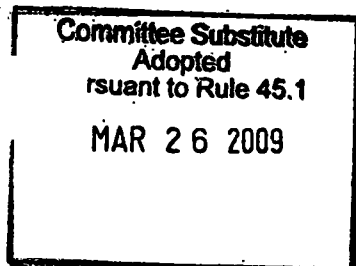
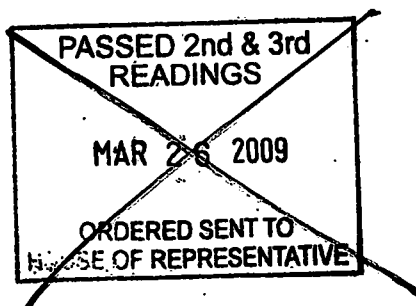
## A BILL TO BE ENTITLED

AN ACT TO AMEND THE PROVISION FOR THE SURVIVOR'S ALTERNATE BENEFIT FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO PROVIDE A BENEFIT FOR SURVIVORS OF LAW ENFORCEMENT OFFICERS KILLED IN THE LINE OF DUTY AFTER THE COMPLETION OF FIFTEEN YEARS OF SERVICE.

Introduced by Senator(s)

*Brunstetter*

Principal Clerk's Use Only



RE-REFERRED TO

*Appro / Base Bud*

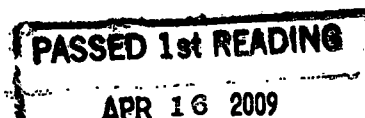
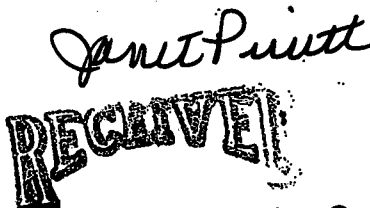
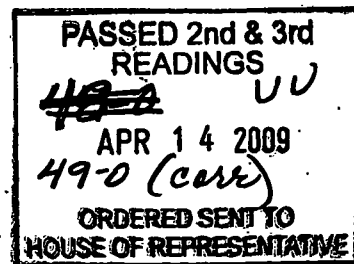
WITH UNANIMOUS CONSENT  
WITHDRAWN FROM

*Appro / Base Bud*

APR - 9 2009

PLACED ON CALENDAR FOR

*4/14/09*



# PUBLIC BILL

5-468

PASSED 2nd & 3rd READINGS 43-1 vv MAY 14 2009 ORDERED SENT TO HOUSE OF REPRESENTATIVE
--

*Janet Smith*

RECEIVED

MAY 18 2009 7:12 pm  
*ca*

PASSED 1st READING MAY 19 2009 AND REFERRED TO COMMITTEE ON Pensions & Retirement
--

*of health insurance*



GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

S

2

SENATE BILL 468  
Second Edition Engrossed 5/14/09

Short Title: Authorize Insurance for Former Employees. (Public)

Sponsors: Senators McKissick; Atwater, Bingham, Clary, Davis, Dorsett, Foriest, Forrester, Goodall, Graham, Hartsell, Jones, Kinnaird, Nesbitt, Purcell, Shaw, Snow, and Stevens.

Referred to: Pensions & Retirement & Aging.

March 9, 2009

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE COUNTIES TO PROVIDE HEALTH INSURANCE BENEFITS  
TO FORMER EMPLOYEES WHO ARE NOT RECEIVING RETIREMENT BENEFITS.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 153A-93(d) reads as rewritten:

"(d) A county which is providing health insurance under G.S. 153A-92(d) may provide health insurance for all or any class of former officers and employees of the county who are receiving benefits under subsection (a) of this section. Such health insurance may be paid entirely by the county, partly by the county and former officer or employee, or entirely by the former officer or employee, at the option of the county."

**SECTION 2.** G.S. 153A-93 is amended by adding a new subsection to read:

"(d1) Notwithstanding subsection (d) of this section, any county that has elected to and is covering its active employees only, or its active and retired employees under the State Health Plan or elects such coverage under the Plan, may not provide health insurance through the State Health Plan to all or any class of former officers and employees who are not receiving benefits under subsection (a) of this section. The county may, however, provide health insurance to such former officers and employees by any other means authorized by G.S. 153A-92(d). The health insurance premium shall be paid entirely by the former officer or employee."

**SECTION 3.** This act is effective when it becomes law.





## **SENATE BILL 468: Authorize Insurance for Former Employees**

*2009-2010 General Assembly*

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<b>Committee:</b>	House Pensions and Retirement, if favorable, Insurance	<b>Date:</b>	June 2, 2009
<b>Introduced by:</b>	Sen. McKissick	<b>Prepared by:</b>	Karen Cochrane-Brown
<b>Analysis of:</b>	Second Edition		Committee Counsel

---

**SUMMARY:** *Senate Bill 468 authorizes certain counties to provide health insurance for former officers and employees of the county that are not receiving retirement benefits.*

### **CURRENT LAW:**

**G.S. 153A-92(d)** allows a county to purchase life insurance or health insurance or both for the benefit of all or any class of county officers and employees as a part of their compensation. A county may provide other fringe benefits for county officers and employees.

**G.S. 153A-93(d)** allows a county providing health insurance under G.S. 153A-92(d) to provide health insurance for all or any class of former officers and employees of the county who are receiving benefits under G.S. 153A-93(a). The subsection further provides that, at the option of the county, the health insurance may be: paid entirely by the county, partly by the county and former officer or employee, or ntirely by the former officer or employee.

**G.S. 153A-93(a)** allows the board of commissioners to provide for enrolling county officers and employees in the Local Governmental Employees' Retirement System, the Law-Enforcement Officers' Benefit and Relief Fund, the Firemen's Pension Fund, or a retirement plan certified to be actuarially sound by a qualified actuary and may make payments into such a retirement system or plan on behalf of its employees.

### **BILL ANALYSIS:**

Senate Bill 468 amends G.S. 153A-93(d) to authorize counties to provide health insurance to former officers and employees that are not receiving retirement benefits. The existing language in G.S. 153A-93(d) specifies that at the option of the county, the insurance may be paid partly or entirely by the county or may be paid entirely by the former officer or employee.

Section 2 of the bill prohibits a county that has elected or elects to participate in the State Health Plan from providing health insurance through the State Health Plan to former officers and employees who are not receiving retirement benefits. The county may provide any other form of health insurance to these officers and employees; however such officer or employee must pay the entire premium.

### **EFFECTIVE DATE:**

enate Bill 468 would become effective when it becomes law.

*Theresa Matula, staff to Senate Pensions and Retirement, substantially contributed to this summary.*

*S468-SMRO-115(e2) v1*

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

S

D

**SENATE BILL 468  
Second Edition Engrossed 5/14/09  
PROPOSED HOUSE COMMITTEE SUBSTITUTE S468-CSRO-55 [v.1]**

6/2/2009 10:24:40 PM

Short Title:    Authorize Insurance for Former Employees. (Public)

Sponsors:

Referred to:

March 9, 2009

1                                   A BILL TO BE ENTITLED  
2 AN ACT TO AUTHORIZE COUNTIES TO PROVIDE HEALTH INSURANCE BENEFITS  
3 TO FORMER EMPLOYEES WHO ARE NOT RECEIVING RETIREMENT BENEFITS.  
4 The General Assembly of North Carolina enacts:  
5       **SECTION 1.** G.S. 153A-93(d) reads as rewritten:  
6       "(d) A county which is providing health insurance under G.S. 153A-92(d) may provide  
7 health insurance for all or any class of former officers and employees of the county who are  
8 ~~receiving benefits under subsection (a) of this section.~~ Such health insurance may be  
9 paid entirely by the county, partly by the county and former officer or employee, or entirely by  
10 the former officer or employee, at the option of the county."  
11       **SECTION 2.** G.S. 153A-93 is amended by adding a new subsection to read:  
12       "(d1) Notwithstanding subsection (d) of this section, any county that has elected to and is  
13 covering its active employees only, or its active and retired employees under the State Health  
14 Plan or elects such coverage under the Plan, may not provide health insurance through the State  
15 Health Plan to all or any class of former officers and employees who are not receiving benefits  
16 under subsection (a) of this section. The county may, however, provide health insurance to such  
17 former officers and employees by any other means authorized by G.S. 153A-92(d). The health  
18 insurance premium may be paid entirely by the county, partly by the county and former officer  
19 or employee, or entirely by the former officer or employee, at the option of the county."  
20       **SECTION 3.** This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

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3

SENATE BILL 468  
Second Edition Engrossed 5/14/09  
House Committee Substitute Favorable 6/3/09

Short Title: Authorize Insurance for Former Employees.

(Public)

Sponsors:

Referred to:

March 9, 2009

1 A BILL TO BE ENTITLED.  
2 AN ACT TO AUTHORIZE COUNTIES TO PROVIDE HEALTH INSURANCE BENEFITS  
3 TO FORMER EMPLOYEES WHO ARE NOT RECEIVING RETIREMENT BENEFITS.  
4 The General Assembly of North Carolina enacts:  
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6 "(d) A county which is providing health insurance under G.S. 153A-92(d) may provide  
7 health insurance for all or any class of former officers and employees of the county who are  
8 receiving benefits under subsection (a) of this section. Such health insurance may be  
9 paid entirely by the county, partly by the county and former officer or employee, or entirely by  
10 the former officer or employee, at the option of the county."  
11 SECTION 2. G.S. 153A-93 is amended by adding a new subsection to read:  
12 "(d1) Notwithstanding subsection (d) of this section, any county that has elected to and is  
13 covering its active employees only, or its active and retired employees under the State Health  
14 Plan or elects such coverage under the Plan, may not provide health insurance through the State  
15 Health Plan to all or any class of former officers and employees who are not receiving benefits  
16 under subsection (a) of this section. The county may, however, provide health insurance to such  
17 former officers and employees by any other means authorized by G.S. 153A-92(d). The health  
18 insurance premium may be paid entirely by the county, partly by the county and former officer  
19 or employee, or entirely by the former officer or employee, at the option of the county."  
20 SECTION 3. This act is effective when it becomes law.



\* 5 4 6 8 - V - 3 \*



**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☒ Committee Substitute for

**SB 468**      A BILL TO BE ENTITLED AN ACT TO AUTHORIZE COUNTIES TO PROVIDE HEALTH INSURANCE BENEFITS TO FORMER EMPLOYEES WHO ARE NOT RECEIVING RETIREMENT BENEFITS.

☒ With a favorable report as to the House committee substitute bill, unfavorable as to the original bill, and recommendation that the House committee substitute bill be re-referred to the Committee on INSURANCE.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

S.B. 468

SESSION LAW \_\_\_\_\_

**A BILL TO BE ENTITLED**

**AN ACT TO AUTHORIZE COUNTIES TO PROVIDE HEALTH INSURANCE BENEFITS TO FORMER EMPLOYEES WHO ARE NOT RECEIVING RETIREMENT BENEFITS.**

Introduced by Senator(s)

*[Handwritten signatures: J. Stevens, W.E. Seely]*

McKissick

*[Handwritten signatures: McKissick, J. Stevens, W.E. Seely]*

*[Handwritten signatures: J. Stevens, W.E. Seely]*

*[Handwritten signatures: J. Stevens, W.E. Seely]*

Principal Clerk's Use Only

**FILED MAR 5 2009**

**PASSED 1st READING**

**MAR - 9 2009**

AND REFERRED TO COMMITTEE

*[Handwritten: Pen: Retirement]*

The Committee on Pensions, Retirement & Aging, whom this bill was referred, a majority being present and voting, has carefully considered the same and recommend that it do ✓ pass.

by T. \_\_\_\_\_

REPORTED FAVORABLY MAY 13 2009

SENATOR

AMENDMENT NO. 1 MAY 14 2009

*[Handwritten: Adopted 47-0]*

WITH UNANIMOUS CONSENT  
WITHDRAWN FROM

*[Handwritten: Calendar]*

MAY 14 2009

RE-REFERRED TO

*[Handwritten: Pers, Ret & Aging]*

*[Handwritten: Committee Substitute Adopted Pursuant to Rule 45-4]*

*[Handwritten: Motion To Withdrawn from Pers, Ret & Aging pencils 33-14 -]*

MAY 14 2009

PLACED ON TODAY'S CALENDAR

*[Handwritten: 5-14-09]*

SENATOR

AMENDMENT NO. 2 MAY 14 2009

*[Handwritten: Adopted 44-0]*

*[Handwritten: Perfecting Amendment No. 1]*

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

S

2

SENATE BILL 632\*  
Finance Committee Substitute Adopted 4/29/09

Short Title: Treasurer's Governance &amp; Transparency Act.

(Public)

Sponsors:

Referred to:

March 17, 2009

## A BILL TO BE ENTITLED

AN ACT TO ENACT THE TREASURER'S GOVERNANCE AND TRANSPARENCY ACT  
OF 2009.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 147-69.2(b1) reads as rewritten:

"(b1) With respect to investments authorized by subsections ~~(b)(8)~~(b)(7), ~~(b)(8)~~, and (b)(9) of this section, the State Treasurer shall appoint an Investment Advisory Committee, which shall consist of ~~five~~ seven members: the State Treasurer, who shall be chairman ex officio; two members selected from among the members of the boards of trustees of the Retirement Systems; and ~~two~~ four members selected from the general public. ~~The two four public members must have experience in areas relevant to the administration of a large, diversified investment program, including, but not limited to, one or more of the following areas: investment management, real estate investment trusts, real estate development, venture capital investment, or absolute return strategies.~~ investment management, securities law, real estate development, or absolute return strategies. The State Treasurer shall also appoint a Secretary of the Investment Advisory Committee who need not be a member of the committee. Members of the committee shall receive for their services the same per diem and allowances granted to members of the State boards and commissions generally. The committee shall have advisory powers only and membership shall not be deemed a public office within the meaning of Article VI, Section 9 of the Constitution of North Carolina or G.S. 128-1.1."

**SECTION 2.** Article 6 of Chapter 147 of the General Statutes is amended by adding a new section to read:

**"§ 147-69.7. Discharge of duties to Retirement Systems.**

**(a) The Treasurer shall discharge his or her duties with respect to the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firemen's and Rescue Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, and the North Carolina National Guard Pension Fund (hereinafter referred to collectively as the Retirement Systems) as follows:**

- (1) Solely in the interest of the participants and beneficiaries.**
- (2) For the exclusive purpose of providing benefits to participants and beneficiaries and paying reasonable expenses of administering the Retirement Systems.**
- (3) With the care, skill, and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose.**
- (4) Impartially, taking into account any differing interests of participants and beneficiaries.**



- 1           (5)     Incurring only costs that are appropriate and reasonable.  
2           (6)     In accordance with a good-faith interpretation of the law governing the  
3                 Retirement Systems.  
4     (b)     In investing and managing assets of the Retirement Systems pursuant to subsection  
5     (a) of this section, the Treasurer:  
6           (1)     Shall consider the following circumstances:  
7                 a.     General economic conditions.  
8                 b.     The possible effect of inflation or deflation.  
9                 c.     The role that each investment or course of action plays within the  
10                 overall portfolio of the Retirement Systems.  
11                 d.     The expected total return from income and the appreciation of  
12                 capital.  
13                 e.     Needs for liquidity, regularity of income, and preservation or  
14                 appreciation of capital.  
15                 f.     The adequacy of funding for the Retirement Systems based on  
16                 reasonable actuarial factors.  
17           (2)     Shall diversify the investments of the Retirement Systems unless the  
18                 Treasurer reasonably determines that, because of special circumstances, it is  
19                 clearly prudent not to do so.  
20           (3)     Shall make a reasonable effort to verify facts relevant to the investment and  
21                 management of assets of the Retirement Systems.  
22           (4)     May invest in any kind of property or type of investment consistent with the  
23                 provisions of Article 6 of Chapter 146 of the General Statutes.  
24           (5)     May consider benefits created by an investment in addition to investment  
25                 return only if the Treasurer determines that the investment providing these  
26                 collateral benefits would be prudent even without collateral benefits.  
27     (c)     Compliance by the Treasurer with this section must be determined in light of the  
28     facts and circumstances existing at the time of the Treasurer's decision or action and not by  
29     hindsight.  
30     (d)     The Treasurer's investment and management decisions must be evaluated not in  
31     isolation but in the context of the portfolio of the Retirement Systems as a whole and as part of  
32     an overall investment strategy having risk and return objectives reasonably suited to the  
33     Retirement Systems."

34           **SECTION 3.** This act is effective when it becomes law.



## SENATE BILL 632: Treasurer's Governance & Transparency Act

2009-2010 General Assembly

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<b>Committee:</b>	House Pensions and Retirement, if favorable, Finance	<b>Date:</b>	June 2, 2009
<b>Introduced by:</b>	Sen. Nesbitt	<b>Prepared by:</b>	Karen Cochrane-Brown
<b>Analysis of:</b>	Second Edition		Committee Counsel

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**SUMMARY:** *Senate Bill 632 is an agency bill that would increase the membership of the State Treasurer's Investment Advisory Committee from five to seven members, by adding two public members. The bill also changes the experience requirements of the public members.*

*The bill also adds a new section which describes the duties and the standards to be applied to the State Treasurer with regard to the discharge of her duties in connection with the Retirement Systems administered by the Treasurer's office.*

[As introduced, this bill was identical to H556, as introduced by Reps. Folwell, McGee, Owens, Randleman, which is currently in House Finance.]

**CURRENT LAW:** Under current law, The State Treasurer is authorized to invest the assets of the all of the State administered retirement systems. The law includes several limitations on the amount and types of investments that can be made with these funds.

The law also authorizes the State Treasurer to appoint an Investment Advisory Committee. The Committee consists of five members: The State Treasurer, two members from the board of trustees of the Retirement System, and two public members. The public members must have experience in one or more of the following areas: investment management, real estate investment trusts, real estate development, venture capital investment, or absolute return strategies. The committee has only advisory powers.

**BILL ANALYSIS:** Senate Bill 632 amends the law to increase the membership of the Investment Advisory Committee from five to seven members, with the two additional members to be appointed by the Treasurer as public members. The bill also changes the experience requirements for the public members by removing the requirement for experience in real estate investment trusts and venture capital investments, and substituting experience in securities law.

The new section added by the second edition of the bill is entitled "Discharge of duties to Retirement Systems." The section provides that with respect to the Retirement Systems administered by the Treasurer, the Treasurer shall discharge his or her duties as follows:

- Solely in the interest of participants and beneficiaries.
- For the exclusive purpose of providing benefits and paying reasonable administrative expenses.
- With the care, skill, and caution under the circumstances that a prudent person who was familiar with the matters would use in a like situation.
- Impartially, taking into account the differing interests of participants and beneficiaries.
- Incurring only appropriate and reasonable costs.
- In accordance with a good-faith interpretation of the law governing the Retirement Systems.

# Senate Bill 632

Page 2

The new section also sets standards to be used by the Treasurer in investing and managing the assets of the Retirement Systems, including that the Treasurer:

- Shall consider the following circumstances:
  - General economic conditions.
  - The possible effects of inflation or deflation.
  - The role of each investment in the overall portfolio.
  - The expected total return and the appreciation of capital.
  - Needs for liquidity, regular income, and preservation or appreciation of capital.
  - The adequacy of funding based on reasonable actuarial factors.
- Shall diversify the investments unless the Treasurer determines it is clearly not prudent to do so.
- Shall make reasonable efforts to verify relevant facts.
- May invest in any kind of real property which the State is authorized to acquire under Article 6 of Chapter 146.
- May consider other benefits created by an investment in addition to return on the investment, only if the investment would be prudent even without the collateral benefit.

The Treasurer's compliance with this standard must be determined based on the facts and circumstances at the time the decision was made, not using hindsight. In addition, the Treasurer's investment and management decisions must be evaluated in light of the portfolio as a whole and as part of an overall investment strategy.

**EFFECTIVE DATE:** This act is effective when it becomes law.

S632-SMRO-116(e2) v1

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GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

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SENATE BILL 632\*  
Finance Committee Substitute Adopted 4/29/09  
PROPOSED HOUSE COMMITTEE SUBSTITUTE S632-PCS55418-RO-57

Short Title: Treasurer's Governance & Transparency Act.

(Public)

Sponsors:

Referred to:

March 17, 2009

A BILL TO BE ENTITLED

AN ACT TO ENACT THE TREASURER'S GOVERNANCE AND TRANSPARENCY ACT  
OF 2009.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 147-69.2(b1) reads as rewritten:

"(b1) With respect to investments authorized by subsections ~~(b)(8)~~(b)(7), ~~(b)(8)~~, and (b)(9) of this section, the State Treasurer shall appoint an Investment Advisory Committee, which shall consist of ~~five~~ seven members: the State Treasurer, who shall be chairman ex officio; two members selected from among the members of the boards of trustees of the Retirement Systems; and ~~two~~ four members selected from the general public. ~~The two four public members must have experience in areas relevant to the administration of a large, diversified investment program, including, but not limited to, one or more of the following areas: investment management, real estate investment trusts, real estate development, venture capital investment, or absolute return strategies.~~ investment management, securities law, real estate development, or absolute return strategies. The State Treasurer shall also appoint a Secretary of the Investment Advisory Committee who need not be a member of the committee. Members of the committee shall receive for their services the same per diem and allowances granted to members of the State boards and commissions generally. The committee shall have advisory powers only and membership shall not be deemed a public office within the meaning of Article VI, Section 9 of the Constitution of North Carolina or G.S. 128-1.1."

**SECTION 2.** Article 6 of Chapter 147 of the General Statutes is amended by adding a new section to read:

**"§ 147-69.7. Discharge of duties to Retirement Systems.**

**(a) The Treasurer shall discharge his or her duties with respect to the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firemen's and Rescue Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, and the North Carolina National Guard Pension Fund (hereinafter referred to collectively as the Retirement Systems) as follows:**

**(1) Solely in the interest of the participants and beneficiaries.**

**(2) For the exclusive purpose of providing benefits to participants and beneficiaries and paying reasonable expenses of administering the Retirement Systems.**



\* S 6 3 2 - P C S 5 5 4 1 8 - R O - 5 7 \*

- 1           (3) With the care, skill, and caution under the circumstances then prevailing  
2           which a prudent person acting in a like capacity and familiar with those  
3           matters would use in the conduct of an activity of like character and purpose.  
4           (4) Impartially, taking into account any differing interests of participants and  
5           beneficiaries.  
6           (5) Incurring only costs that are appropriate and reasonable.  
7           (6) In accordance with a good-faith interpretation of the law governing the  
8           Retirement Systems.  
9       (b) In investing and managing assets of the Retirement Systems pursuant to subsection  
10      (a) of this section, the Treasurer:  
11           (1) Shall consider the following circumstances:  
12               a. General economic conditions.  
13               b. The possible effect of inflation or deflation.  
14               c. The role that each investment or course of action plays within the  
15               overall portfolio of the Retirement Systems.  
16               d. The expected total return from income and the appreciation of  
17               capital.  
18               e. Needs for liquidity, regularity of income, and preservation or  
19               appreciation of capital.  
20               f. The adequacy of funding for the Retirement Systems based on  
21               reasonable actuarial factors.  
22           (2) Shall diversify the investments of the Retirement Systems unless the  
23           Treasurer reasonably determines that, because of special circumstances, it is  
24           clearly prudent not to do so.  
25           (3) Shall make a reasonable effort to verify facts relevant to the investment and  
26           management of assets of the Retirement Systems.  
27           (4) May invest in any kind of property or type of investment consistent with the  
28           provisions of Article 6 of Chapter 146 of the General Statutes.  
29           (5) May consider benefits created by an investment in addition to investment  
30           return only if the Treasurer determines that the investment providing these  
31           collateral benefits would be prudent even without collateral benefits.  
32       (c) Compliance by the Treasurer with this section must be determined in light of the  
33      facts and circumstances existing at the time of the Treasurer's decision or action and not by  
34      hindsight.  
35       (d) The Treasurer's investment and management decisions must be evaluated not in  
36      isolation but in the context of the portfolio of the Retirement Systems as a whole and as part of  
37      an overall investment strategy having risk and return objectives reasonably suited to the  
38      Retirement Systems."

39           **SECTION 3.** Article 6 of Chapter 147 of the General Statutes is amended by  
40      adding a new section to read:

41      **"§ 147-69.8. Annual report on new investment authority.**

42      Whenever the General Assembly broadens the investment authority of the State Treasurer  
43      as to the General Fund, the Teachers' and State Employees' Retirement System, the  
44      Consolidated Judicial Retirement System, the Firemen's and Rescue Workers' Pension Fund,  
45      the Local Governmental Employees' Retirement System, the Legislative Retirement System,  
46      the North Carolina National Guard Pension Fund, or any idle funds, the State Treasurer shall  
47      annually report in detail to the General Assembly the investments made under such new  
48      authority, including the returns on those investments, earnings, changes to value, and gains and  
49      losses in disposition of such investments. The report shall be made during the first six months  
50      of each calendar year, covering performance in the prior calendar year. As to each type of new  
51      investment authority, the report shall be made for at least four years."



1

**SECTION 4.** This act is effective when it becomes law.

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☒ Committee Substitute for

**SB 632**      A BILL TO BE ENTITLED AN ACT TO ENACT THE TREASURER'S  
GOVERNANCE AND TRANSPARENCY ACT OF 2009.

☒ With a favorable report as to the House committee substitute bill, unfavorable as to the original bill,  
and recommendation that the House committee substitute bill be re-referred to the Committee on  
FINANCE.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution  
(No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_) is placed  
on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the  
Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint)  
resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

# PUBLIC BILL

*Finance*  
Proposed Committee Substitute For  
S.B. 632

SESSION LAW \_\_\_\_\_

*FD H-556*

## A BILL TO BE ENTITLED

AN ACT TO ENACT THE TREASURER'S GOVERNANCE AND TRANSPARENCY ACT OF 2009.

Introduced by Senator(s)

*Nesbitt*

Principal Clerk's Use Only

Committee Substitute  
Adopted  
Pursuant to Rule 45.1

APR 29 2009

PASSED 2nd & 3rd  
READINGS

*48-0* *U*  
APR 30 2009

ORDERED SENT TO  
OF REPRESENTATIVE

*Paul Pruitt*

RECEIVED

MAY 4 2009

*7:50pm*  
*CV*

PASSED 1st READING

MAY 5 2009

AND REFERRED TO COMMITTEE

*ON. Pen. & Retirement*

*& Gov Finance*

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

S

2

**SENATE BILL 863\*  
Pensions & Retirement & Aging Committee Substitute Adopted 4/22/09**

Short Title: Purchase Service/Certain Employment.

(Public)

Sponsors:

Referred to:

March 26, 2009

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR THE PURCHASE OF CREDITABLE SERVICE BY MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM FOR CERTAIN PERIODS OF NONQUALIFIED EMPLOYMENT.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 128-26 is amended by adding a new subsection to read:

"(u1) Credit at Full Cost for Nonqualified Employment. – Notwithstanding any other provisions of this Chapter, any member may purchase a maximum of five years of creditable service for nonqualified employment with an economic development organization that receives at least fifty percent (50%) of its funding from local government, upon the completion of five years of membership service, by making a lump-sum payment into the Annuity Savings Fund. The member shall obtain written verification of the service from the nonprofit corporation. The payment by the member shall be equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the Retirement System's liabilities, and the calculation of the amount payable shall take into account the additional retirement allowance arising on account of the additional service credits commencing at the earliest age at which the member could retire with an unreduced retirement allowance, as determined by the Board of Trustees upon the advice of the actuary, plus an administrative fee to be determined by the Board of Trustees. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the terms "full cost," "full liability," and "full actuarial cost" include assumed annual postretirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance."

**SECTION 2.** This act becomes effective July 1, 2009.



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## **SENATE BILL 863: Purchase Service/Certain Employment**

*2009-2010 General Assembly*

**Committee:** House Pensions and Retirement  
**Introduced by:** Sen. Berger of Rockingham  
**Analysis of:** Second Edition

**Date:** June 2, 2009  
**Prepared by:** Karen Cochran-Brown  
Committee Counsel

**SUMMARY:** *Senate Bill 863 would allow a member of the Local Governmental Employees' Retirement System to purchase up to five years of creditable service for nonqualified employment with an economic development organization that receives at least 50% of its funding from local government.*

[As introduced, this bill was identical to H725, as introduced by Rep. Cole, which is currently in House Pensions and Retirement.]

### **BILL ANALYSIS:**

Senate Bill 863 amends the law governing the Local Governmental Employees' Retirement System to allow a member who has completed at least five years of membership service to purchase creditable service for periods of nonqualified employment with an economic development organization that receives at least 50% of its funding from local government. The member may purchase a maximum of five years of such service.

The member must obtain written verification of the service from the nonprofit corporation. The member must also pay the full liability of the credit as determined by the Board of Trustees upon the advice of the actuary. The full liability shall include an administrative fee and assumes postretirement allowance increases from the earliest age at which a member could retire on an unreduced service allowance.

**EFFECTIVE DATE:** This act would become effective July 1, 2009.

### **BACKGROUND:**

"IRC Section 415(n) allows the purchase of non-employer service without applying the contribution limits of IRC Section 415 to the contribution to the plan as long as the purchased service meets certain restrictions. One of these restrictions limits the purchase of nonqualified service, as defined in IRS Section 415(n), to five years." (*April 3, 2009 letter from Buck Consultants, Retirement System Actuary*)

*S863-SMRO-117(e2) v1*

## VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

JUNE 3, 2009

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

John McNamee	MFLS
Gwynn Hawthorne	PHGR
Krista Huff	NCHCFA
Amy McConkey	Smith Anderson
Alex Pully	OST
SOLARI	DST
TINA GORDON	NC Nurses Assoc.
DAVID BAUM	K+L GATES
Heather Barrett	Huntton & Williams
Heslie Arnold	SOG - Daily Bulletin
Victoria Hwu Cing	Bare & Assoc.

## VISITOR REGISTRATION SHEET

## PENSIONS AND RETIREMENT

**JUNE 3, 2009**

Name of Committee

**Date**

**VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK**

**NAME****FIRM OR AGENCY AND ADDRESS**

Suzanne Beasley, MEd

SEANC

Ardis Watkins

SEAN

# VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

JUNE 3, 2009

Name of Committee

Date

**VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK**

NAME

FIRM OR AGENCY AND ADDRESS

Linda Gunter	NCAE
David Vanderweide	NC DST
Allan Beckmann	NC DST
Michael Williamson	NC DST
Parker Chesnut	Office of Gov, Legal
Deborah Cragg-Ray	Durham County Court
Kathy Everett Perry	Durham County Board
<del>Mr</del> S.C. Feltner	Durham County
Adeley Vroom	NCASA
Pam Meyer	NCLM
Renee Wimbish	Rep. Folwell



# VISITOR REGISTRATION SHEET

Pensions and Retirement  
Name of Committee

June 3, 2009  
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ken M. Wilkin	Nelson Mullin
Kim Hargrove	NCARD
AMANDA GARRETT	NCARD - PERSON CO
EDDIE CRAWELL	NC Sheriff's Assn.
Gary Robertson	AP

House Pages

Pension & Retirement

Name of Committee: \_\_\_\_\_

Date: \_\_\_\_\_

6/3/09

1. Name: Amanda Farquharson

County: Johnston

Sponsor: Leo Daughtry

2. Name: MaKayla Kasey

County: Calcutt

Sponsor: Rep Jeff Barnhart

3. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

4. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

5. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

Sgt-Ai-Arms

1. Name: \_\_\_\_\_

Reggie Sills

2. Name: \_\_\_\_\_

Young BAE

3. Name: \_\_\_\_\_



North Carolina General Assembly  
**House Committee on Pensions & Retirement**

**MINUTES**

~

Wednesday, June 10, 2009

The House Committee on Pensions and Retirement met Wednesday, June 10, 2009 at 10:00 a.m. in Room 415 of the Legislative Office Building. The following members were present: Representative Tucker, Chair, Representatives Bell, Folwell, Hurley and McGee, Vice Chairs, Representatives McLawhorn, Ross and Tolson. Thirty-four visitors were present and a visitor's registration sheet is attached as part of these minutes.

The Chair called the meeting to order and announced there were no Pages for the meeting. Serving as Sergeant-at-Arms were Jerald Perry, Mike Martin and Ken Burroughs.

Chairman Tucker stated that SB 863 that was displaced from a previous meeting because the PCS did some things that bothered some committee members, therefore, the Chair placed the original bill back before the committee. He asked Staff to explain SB 863 - **AN ACT TO PROVIDE FOR THE PURCHASE OF CREDITABLE SERVICE BY MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM FOR CERTAIN PERIODS OF NONQUALIFIED EMPLOYMENT.** (*Attachment #1*). Stanley Moore, Fiscal Research Staff explained the bill. He stated this bill would allow a member of the Local Governmental Employees' Retirement System to purchase up to five years of creditable service for nonqualified employment with an economic development organization that receives at least 50% of its funding from local government. Representative Cole has an identical bill HB725 and was to make comments. After questions and discussion, Representative McLawhorn moved for a favorable report and send it straight to the House floor. Motion carried. The Chair announced that Representative Cole would handle on the House floor.

The Chair placed **SB 202 - APPROPRIATIONS ACT OF 2009** before the committee. Due to the absence of Senator Garrou, he asked Staff to explain the only part that pertains to retirement. Stanley Moore, Fiscal Research Staff explained **SALARY-RELATED CONTRIBUTIONS/EMPLOYER - Section 26.20, NATIONAL GUARD PENSION FUND - Section 26.21, and EXTEND PHASED RETIREMENT PRORAM EXEMPTION - Section 26-22. (Attachment #2).** Representative Tolson moved for a favorable report and re-refer to the Committee on Finance. Motion passed.

There being no further business, the Chair adjourned the meeting at 10:15 A.M.

Respectfully submitted,

  
Representative Russell Tucker, Chair

  
Sally Gillis, Committee Assistant

# **AGENDA**

## **HOUSE COMMITTEE ON PENSIONS AND RETIREMENT**

**Wednesday, June 3, 2009**

**Room 415 LOB**

**10:00 A.M.**

### **OPENING REMARKS**

**SB 202     APPROPRIATIONS ACT OF 2009**  
**Senator Garrou**

**SB 863     PURCHASE SERVICE/CERTAIN EMPLOYMENT**  
**Senator Phil Berger**

### **ADJOURNMENT**

**From:** Dianne Russell (House Legislative Assistants Director)  
**Sent:** Wednesday, June 10, 2009 12:23 AM  
**To:** @All Exchange Users  
**Cc:** 'HousePenRet@LS.NCGA.STATE.NC.US'  
**Subject:** Pensions and Retirement Committee Meeting Wednesday June 10th at 10:00

**NORTH CAROLINA HOUSE OF REPRESENTATIVES  
COMMITTEE MEETING NOTICE  
AND  
BILL SPONSOR NOTIFICATION.  
2009-2010 SESSION**

You are hereby notified that the Committee on **Pensions and Retirement** will meet as follows:

**DAY & DATE:** Wednesday, June 10, 2009  
**TIME:** 10:00 am  
**LOCATION:** 415 LOB  
**COMMENTS:**

The following bills will be considered:

<b>BILL NO.</b>	<b>SHORT TITLE</b>	<b>SPONSOR</b>
SB 202	Appropriations Act of 2009..	Senator Garrou

Respectfully,  
Representative Tucker, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at  
23 o'clock on **June 09, 2009**.

Principal Clerk  
Reading Clerk – House Chamber

**Dianne Russell** (Committee Assistant)

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

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**SENATE BILL 863\***

**Pensions & Retirement & Aging Committee Substitute Adopted 4/22/09**

Short Title: Purchase Service/Certain Employment.

(Public)

Sponsors:

Referred to:

March 26, 2009

1                                   A BILL TO BE ENTITLED  
2 AN ACT TO PROVIDE FOR THE PURCHASE OF CREDITABLE SERVICE BY  
3 MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT  
4 SYSTEM FOR CERTAIN PERIODS OF NONQUALIFIED EMPLOYMENT.  
5 The General Assembly of North Carolina enacts:  
6       **SECTION 1.** G.S. 128-26 is amended by adding a new subsection to read:  
7       "(u1) Credit at Full Cost for Nonqualified Employment. – Notwithstanding any other  
8 provisions of this Chapter, any member may purchase a maximum of five years of creditable  
9 service for nonqualified employment with an economic development organization that receives  
10 at least fifty percent (50%) of its funding from local government, upon the completion of five  
11 years of membership service, by making a lump-sum payment into the Annuity Savings Fund.  
12 The member shall obtain written verification of the service from the nonprofit corporation. The  
13 payment by the member shall be equal to the full liability of the service credits calculated on  
14 the basis of the assumptions used for purposes of the actuarial valuation of the Retirement  
15 System's liabilities, and the calculation of the amount payable shall take into account the  
16 additional retirement allowance arising on account of the additional service credits  
17 commencing at the earliest age at which the member could retire with an unreduced retirement  
18 allowance, as determined by the Board of Trustees upon the advice of the actuary, plus an  
19 administrative fee to be determined by the Board of Trustees. Notwithstanding the foregoing  
20 provisions of this subsection that provide for the purchase of service credits, the terms "full  
21 cost," "full liability," and "full actuarial cost" include assumed annual postretirement allowance  
22 increases, as determined by the Board of Trustees, from the earliest age at which a member  
23 could retire on an unreduced service allowance."

24       **SECTION 2.** This act becomes effective July 1, 2009.



\* S 8 6 3 - V - 2 \*



## SENATE BILL 863: Purchase Service/Certain Employment

2009-2010 General Assembly

**Committee:** House Pensions and Retirement  
**Introduced by:** Sen. Berger of Rockingham  
**Analysis of:** Second Edition

**Date:** June 2, 2009  
**Prepared by:** Karen Cochrane-Brown  
Committee Counsel

**SUMMARY:** *Senate Bill 863 would allow a member of the Local Governmental Employees' Retirement System to purchase up to five years of creditable service for nonqualified employment with an economic development organization that receives at least 50% of its funding from local government.*

[As introduced, this bill was identical to H725, as introduced by Rep. Cole, which is currently in House Pensions and Retirement.]

### BILL ANALYSIS:

Senate Bill 863 amends the law governing the Local Governmental Employees' Retirement System to allow a member who has completed at least five years of membership service to purchase creditable service for periods of nonqualified employment with an economic development organization that receives at least 50% of its funding from local government. The member may purchase a maximum of five years of such service.

The member must obtain written verification of the service from the nonprofit corporation. The member must also pay the full liability of the credit as determined by the Board of Trustees upon the advice of the actuary. The full liability shall include an administrative fee and assumes postretirement allowance increases from the earliest age at which a member could retire on an unreduced service allowance.

**EFFECTIVE DATE:** This act would become effective July 1, 2009.

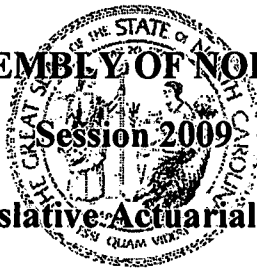
### BACKGROUND:

"IRC Section 415(n) allows the purchase of non-employer service without applying the contribution limits of IRC Section 415 to the contribution to the plan as long as the purchased service meets certain restrictions. One of these restrictions limits the purchase of nonqualified service, as defined in IRS Section 415(n), to five years." (April 3, 2009 letter from Buck Consultants, Retirement System Actuary)

S863-SMRO-117(e2) v1



GENERAL ASSEMBLY OF NORTH CAROLINA



Legislative Actuarial Note

RETIREMENT

REVISED

**BILL NUMBER:** Senate Bill 863 (House Proposed Committee Substitute)

**SHORT TITLE:** Purchase Service/Certain Employment.

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**FUNDS AFFECTED:** Funds of individual members of the Local Governmental Employees' Retirement System who wish to make a purchase of service and funds of individual members of the Teachers' and State Employees' Retirement System who wish to make a purchase of service.

**SYSTEM OR PROGRAM AFFECTED:** Local Governmental Employees' Retirement System and the Teachers' and State Employees' Retirement System

**EFFECTIVE DATE:** July 1, 2009

**BILL SUMMARY:** The bill will allow any member of the Local Governmental Employees' Retirement System with five or more years of service to purchase a maximum of five years of creditable service for nonqualified employment with an economic development organization that receives at least fifty percent (50%) of its funding from local government. The member will pay the "full actuarial cost" of the additional service credits, which is the full liability that the service will put upon the System.

The bill will allow any member of the Teachers' and State Employees' Retirement System with five or more years of service to purchase a maximum of five years of creditable service for employment with a private business entity while that entity was under contract to perform a function of government. The member will pay the "full actuarial cost" of the additional service credits, which is the full liability that the service will put upon the System.

The member must obtain written verification of the service from the nonprofit corporation.

**ESTIMATED IMPACT ON LOCAL GOVERNMENTS OR THE LOCAL RETIREMENT SYSTEM:** Both the Retirement System Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, agree that there would be no cost as a result of the enactment of this bill.

**ESTIMATED IMPACT ON STATE OR THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM:** Both the Retirement System Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, agree that there would be no cost as a result of the enactment of this bill.

## **ASSUMPTIONS AND METHODOLOGY:**

### **Local Governmental Employees' Retirement System**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2007 actuarial valuation of the fund. The data included 127,959 active members with an annual payroll of \$4.75 billion, 42,408 retired members in receipt of annual pensions totaling \$689.4 million, and actuarial value of assets equal to \$16.8 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables, (tables are set forward three years for males, set forward two years for females and set forward two years for the beneficiaries of deceased members and special mortality tables are used for period after disability retirement), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Gains and losses are reflected in the normal rate. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

### **Teachers' & State Employees' Retirement System**

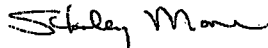
The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2007 actuarial valuation of the fund. The data included 338,490 active members with an annual payroll of \$12.7 billion, 145,855 retired members in receipt of annual pensions totaling \$2.9 billion, and actuarial value of assets equal to \$55.3 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) average salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables (tables are not adjusted for male teachers, set forward one year for female teachers, set forward two years for general employees and law enforcement officers and set forward two years for the beneficiaries of deceased member), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal cost method and a frozen liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** Buck Consultants  
Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** Since both Retirement Systems were created in the 1940's, only the purchase of State or local governmental service has been allowed. This bill will allow for the purchase of service with a private non-profit entity or a private for-profit entity.

**FISCAL RESEARCH DIVISION:** (919) 733-4910. The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**PREPARED BY:** Stanley Moore



**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division





May 26, 2009

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: Senate Bill 863 – Committee Substitute**

Dear Mr. Vanderweide:

We have received your request of May 26 regarding the Committee Substitute to Senate Bill 863, which affects members covered by the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS).

Section 1 of this proposed legislation amends G.S. 128-26 by adding a new subsection G.S. 128-26(u1) that appears to allow a member who has completed five years of membership service to purchase a maximum of five years of credit for service with an economic development organization that raises at least 50% of its funding from local government. Members who purchase service under this proposed legislation must pay the full actuarial cost of the service credits calculated on the basis of the assumptions used for the actuarial valuation of LGERS, including assumed postretirement allowance increases, plus an administrative fee. The effective date of this proposed legislation is July 1, 2009.

Section 2 of this proposed legislation amends G.S. 135-4 by adding a new subsection G.S. 135-4(ii) that appears to allow a member who has completed five years of membership service to purchase a maximum of five years of credit for service while employed under contract with a local government to provide child support enforcement services authorized by federal law. Members who purchase service under this proposed legislation must pay the full actuarial cost of the service credits calculated on the basis of the assumptions used for the actuarial valuation of TSERS, including assumed postretirement allowance increases, plus an administrative fee. The effective date of this proposed legislation is July 1, 2009.

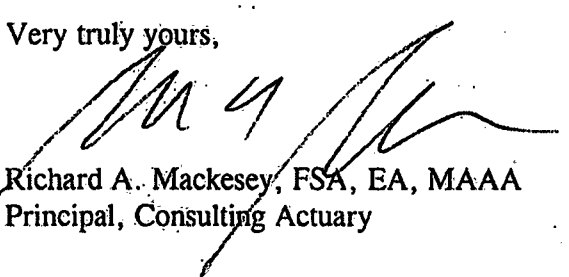
Since the proposed legislation requires that members must pay the full actuarial cost of any service credits purchased, this proposed legislation will not increase the unfunded actuarial accrued liability or the contribution rates of TSERS or LGERS.



I am an Enrolled Actuary, a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, FSA, EA, MAAA  
Principal, Consulting Actuary

RAM:km  
\\NC\COR\90526RM1.DOC

Enclosure

# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

May 26, 2009

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: Senate Bill 863 Proposed House Committee Substitute: An Act to Provide for Purchase of Creditable Service by Members of the LGERS for Certain Periods of Nonqualified Employment and by Members of the TSERS for Private Employment With an Entity Under Contract With Government to Perform a Government Function

Dear Mr. Moore:

This bill amends G.S. 128-26 to provide for the purchase of creditable service for certain periods of nonqualified employment. This provision would allow members of the Local Governmental Employees' Retirement System (LGERS) with five or more years of service to purchase up to 5 years of service for nonqualified employment with an economic development organization that receives at least 50% of its funding from a local government

The bill also amends G.S. 135-4 to provide for the purchase of creditable service for employment with a private business entity while that entity was under contract to perform a function of government. This provision would apply to members of the Teachers' and State Employees' Retirement System (TSERS) with five or more years of service.

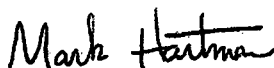
In either case, the member would purchase the service by making a lump sum payment equal to the full liability of the service credits purchased. This act is effective July 1, 2009.

The full liability is calculated based on the additional service credits commencing at the earliest retirement age at which the member could retire with an unreduced retirement allowance and includes assumed post-retirement allowance increases. The calculation of the liability would use the assumptions from the actuarial valuations.

This bill is not expected to produce a cost to the LGERS or the TSERS.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☒ Committee Substitute for

**SB 863**      A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR THE PURCHASE OF CREDITABLE SERVICE BY MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM FOR CERTAIN PERIODS OF NONQUALIFIED EMPLOYMENT.

☒ With a favorable report.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of \_\_\_\_\_.

1       **SECTION 26.17.(f)** The salaries in effect June 30, 2009, for all permanent  
2 full-time personnel paid from the Central Office Allotment, shall remain in effect for the  
3 2009-2010 and 2010-2011 fiscal years.

4  
5       **NONCERTIFIED SCHOOL PERSONNEL SALARIES**

6       **SECTION 26.18.(a)** The salaries in effect June 30, 2009, of permanent, full-time  
7 noncertified public school employees whose salaries are supported from the State's General  
8 Fund shall remain in effect for the 2009-2010 and 2010-2011 fiscal years.

9       **SECTION 26.18.(b)** The salaries in effect on June 30, 2009, for all permanent  
10 part-time noncertified public school employees whose salaries are supported from the State's  
11 General Fund shall remain in effect for the 2009-2010 and 2010-2011 fiscal years.

12       **SECTION 26.18.(c)** The Director of the Budget may allocate out of special  
13 operating funds or from other sources of the employing agency, except tax revenues, sufficient  
14 funds to maintain salaries in accordance with subsection (a) or (b) of this section including  
15 funds for the employer's retirement and social security contributions for the permanent full-time  
16 and part-time employees of the agency, provided the employing agency elects to make  
17 available the necessary funds.

18  
19       **SALARY-RELATED CONTRIBUTIONS/EMPLOYER**

20       **SECTION 26.20.(a)** Section 6(b) of S.L. 2009-16 reads as rewritten:

21       **"SECTION 6.(b)** Effective July 1, 2009, the State's employer contribution rates budgeted  
22 for retirement and related benefits as percentage of covered salaries for the 2009-2010 fiscal  
23 year are: (i) ~~eight and fifty-four hundredths percent (8.54%)~~ eight and seventy-five hundredths  
24 percent (8.75%) – Teachers and State Employees; (ii) ~~thirteen and fifty-four hundredths percent~~  
25 ~~(13.54%)~~ thirteen and seventy-five hundredths percent (13.75%) – State Law Enforcement  
26 Officers; (iii) eleven and eighty-six hundredths percent (11.86%) – University Employees'  
27 Optional Retirement System; (iv) eleven and eighty-six hundredths percent (11.86%) –  
28 Community College Optional Retirement Program; (v) ~~seventeen and seventy-one hundredths~~  
29 ~~percent (17.71%)~~ nineteen and sixty-one hundredths percent (19.61%) – Consolidated Judicial  
30 Retirement System; and (vi) four and fifty hundredths percent (4.50%) – Legislative  
31 Retirement System. Each of the foregoing contribution rates includes four and fifty hundredths  
32 percent (4.50%) for hospital and medical benefits. The rate for Teachers and State Employees,  
33 State Law Enforcement Officers, Community College Optional Retirement Program, and for  
34 the University Employees' Optional Retirement Program includes fifty-two hundredths percent  
35 (0.52%) for the Disability Income Plan. The rates for Teachers and State Employees and State  
36 Law Enforcement Officers include sixteen-hundredths percent (0.16%) for the Death Benefits  
37 Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental  
38 Retirement Income."

39       **SECTION 26.20.(b)** Section 6(c) of S.L. 2009-16 reads as rewritten:

40       **"SECTION 6.(c)** Effective July 1, 2010, the State's employer contribution rates budgeted  
41 for retirement and related benefits as percentage of covered salaries for the 2010-2011 fiscal  
42 year are: (i) ~~eight and ninety-four hundredths percent (8.94%)~~ twelve and twelve hundredths  
43 percent (12.12%) – Teachers and State Employees; (ii) ~~thirteen and ninety-four hundredths~~  
44 ~~percent (13.94%)~~ seventeen and twelve hundredths percent (17.12%) – State Law Enforcement  
45 Officers; (iii) twelve and twenty-six hundredths percent (12.26%) – University Employees'  
46 Optional Retirement System; (iv) twelve and twenty-six hundredths percent (12.26%) –  
47 Community College Optional Retirement Program; (v) ~~eighteen and eleven hundredths percent~~  
48 ~~(18.11%)~~ twenty and one hundredths percent (20.01%) – Consolidated Judicial Retirement  
49 System; and (vi) four and ninety hundredths percent (4.90%) – Legislative Retirement System.  
50 Each of the foregoing contribution rates includes four and ninety hundredths percent (4.90%)  
51 for hospital and medical benefits. The rate for Teachers and State Employees, State Law

Enforcement Officers, Community College Optional Retirement Program, and for the University Employees' Optional Retirement Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen-hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income."

#### NATIONAL GUARD PENSION FUND

SECTION 26.21. G.S. 127A-40(f) reads as rewritten:

"(f) The Secretary of Crime Control and Public Safety shall determine the eligibility of guard members for the benefits herein provided and shall certify those eligible to the State Treasurer. In addition, the Department of Crime Control and Public Safety shall, on and after July 1, 1983, provide the Department of State Treasurer with an annual census population, by age and the number of years of creditable service, for all former members of the National Guard in receipt of a pension as well as for all active members of the National Guard who are not in receipt of a pension and who have seven and more years of creditable service. The Department of Crime Control and Public Safety shall also provide the State Treasurer a census population of all former members of the National Guard who are not in receipt of a pension and who have 15 and more years of creditable service. The Department of State Treasurer shall make pension payments to those persons certified from the North Carolina National Guard Pension Fund, which shall include general fund appropriations made to ~~and transferred from the Department of Crime Control and Public Safety.~~ the Department of State Treasurer. The Department of State Treasurer shall have performed an annual actuarial valuation of the fund and shall have the financial responsibility for maintaining the fund on a generally accepted actuarial basis. The Department of Crime Control and Public Safety shall provide the Department of State Treasurer with whatever assistance is required by the State Treasurer in carrying out his financial responsibilities."

#### EXTEND PHASED RETIREMENT PROGRAM EXEMPTION

SECTION 26.22. Section 29.28(f) of S.L. 2005-276, as amended by Section 22.21 of S.L. 2006-66, reads as rewritten:

"SECTION 29.28.(f) Subsections (a) and (b) of this section become effective August 1, 2005. Subsection (e) of this section becomes effective November 1, 2005, but does not apply to participants in The University of North Carolina Phased Retirement Program until the earlier of ~~June 30, 2010,~~ August 31, 2013, or 12 months after the issuance of final phased retirement regulations by the Internal Revenue Service. The remainder of this section becomes effective June 30, 2005."

#### PART XXVII. CAPITAL APPROPRIATIONS.

##### GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 27.1. The appropriations made by the 2009 General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities, for acquiring sites for them where necessary, and for acquiring buildings and land for State government purposes.

##### CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 27.2. There is appropriated from the General Fund for the 2009-2010 fiscal year the following amounts for capital improvements:

Capital Improvements – General Fund

2009-2010



# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** Senate Bill 202 (Third Edition)

**SHORT TITLE:** Appropriations Act of 2009.

**SPONSOR(S):** Senator Garrou

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#### SECTION 26.22 EXTEND PHASED RETIREMENT PROGRAM EXEMPTION

**FUNDS AFFECTED:** General Fund and Receipt Funds in the University of North Carolina System

**SYSTEM OR PROGRAM AFFECTED:** The University of North Carolina has a Phased Retirement Program which allows instructors who are retiring to apply to participate in the Phased Retirement Program. If approved, they will be allowed to continue to teach for a maximum of two to three years without any break in service and receive 50% of their usual salary. There are usually about 230 participants throughout the entire university system. Participants in the program can be retirees of either the Teachers' and State Employees' Retirement System or the Optional Retirement Program.

**EFFECTIVE DATE:** July 1, 2009

**PROVISION SUMMARY:** The law was changed in 2005 to require a six month break in service before a retiree could return to service with any employer of the State. Participants in the University Phased Retirement Program were exempted from this six month break until June 30, 2010. This special provision will extend the exemption until the earlier of August 31, 2013 or twelve months from the issuance of final phased retirement regulations by the Internal Revenue Service.

**ESTIMATED IMPACT ON STATE:** Both Buck Consultants, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost will be negligible.

#### ASSUMPTIONS AND METHODOLOGY:

##### Teachers' & State Employees' Retirement System

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2007 actuarial valuation of the fund. The data included 338,490 active members with an annual payroll of \$12.7 billion, 145,855 retired members in receipt of annual pensions totaling \$2.9 billion, and actuarial value of assets equal to \$55.3 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) average salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables (tables are not adjusted for male teachers, set forward one year for female teachers, set forward

two years for general employees and law enforcement officers and set forward two years for the beneficiaries of deceased member), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal cost method and a frozen liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** Buck Consultants  
Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910. The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**PREPARED BY:** Stanley Moore

**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division

**DATE:** May 1, 2009



**Signed Copy Located in the NCGA Principal Clerk's Offices**



March 31, 2009

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: Senate Bill 702**

Dear Mr. Vanderweide:

We have received your request of March 20 regarding Senate Bill 702, which affects the Teachers' and State Employees' Retirement System (TSERS).

This proposed legislation amends Section 29.28(f) of S.L. 2005-276, as amended by Section 22.21 of S.L. 2006-66 and appears to extend the exemption from G.S. 135-1(20) from the earlier of June 30, 2010 or 12 months after the issuance of final phased retirement regulations by the Internal Revenue Service to August 31, 2013 for participants in the University of North Carolina Phased Retirement Program. The effective date of this proposed legislation is July 1, 2009.

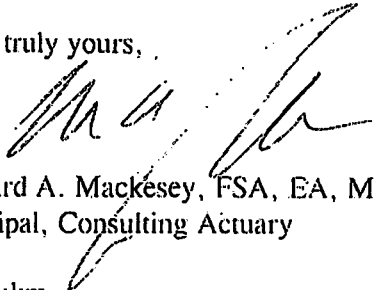
Based on the results of the December 31, 2007 valuation of TSERS and the assumption that about 70 members elect the phased retirement option each year, the annual cost for this proposed legislation is less than 0.01% of payroll.

Our cost estimate for this proposed change is based on the December 31, 2007, valuation of TSERS and does not reflect the asset experience that occurred during 2008. The asset experience that occurred during 2008 will result in a significant increase in the required contributions for the 2010 - 2011 fiscal year.

I am an Enrolled Actuary, a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, FSA, EA, MAAA  
Principal, Consulting Actuary

RAM:km  
\\NC\COR\90330RM1.DOC

# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

---

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

March 23, 2009

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: Senate Bill 702: An Act to Extend the Exemption for the Phased Retirement Program  
From the Revised Definition of Retirement

Dear Mr. Moore:

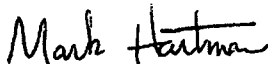
This bill amends Section 29.28(f) of S.L. 2005-276, as amended by Section 22.21 of S.L. 2006-66, to extend the exemption from the modified definition of retirement for participants of the University of North Carolina Phased Retirement Program. S.L. 2005-276 amended the definition of retirement in the Teachers' and State Employees' Retirement System (TSERS) to require a complete separation of employment with no service performed for the six months following retirement. That law provided that the new definition would not apply to participants of the Phased Retirement Program until June 30, 2007. S.L. 2006-66 extended this exemption until the earlier of June 30, 2010 or twelve months after the issuance of final phased retirement regulations by the Internal Revenue Service. This bill would extend the exemption until August 31, 2013. This bill is effective July 1, 2009.

This extension is not expected to have a significant financial impact on the TSERS.

This conclusion is based on the most recent actuarial valuation prepared as of December 31, 2007, and an estimate of less than two hundred participants in the Phased Retirement Program.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND  
RETIREMENT.

---

☒ Committee Substitute for

**SB 202** A BILL TO BE ENTITLED AN ACT TO MAKE BASE BUDGET  
APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS,  
INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES:

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on  
FINANCE.

---

**(FOR JOURNAL USE ONLY)**

\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on  
\_\_\_\_\_.

\_\_\_\_\_ The bill/resolution is re-referred to the Committee on \_\_\_\_\_.

# VISITOR REGISTRATION SHEET

TENSION & RETURNMENT

10-JUN-09

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME

FIRM OR AGENCY

Alan Williams	NC Symphony
Barbara Condon	BGGC
John Bowditch	Astrazeneca
ALUMY WOOD	NCA SA
Katherine W. Pyce	NCA SA
Quinn Hinson	WCPBS
Walter B. McNeal	WCCU
David Starling	NCDST
David Vanderweide	NCDST
Michael Williams	"
Elizabeth Dalton	NORMA
Patrick B. Boff	WVNY
Theresa Tuck	NCA CC
Pam Deardorff	NCRSP
Emily Doyle	NCPAPA
EMILY WILBOURNE	TPIT
TOM BOWLIN	NC NATIONAL GUARD
Thomas C. Caves, Jr.	NC Dept. of Crime Control & Public Safety
BILL RUSTEN	ACP
Elizabeth Biser	DENR
Alexandra Embury	DENR
Maureen Morrell	ASNC
Janet Schanzbach	Indico Consulting
Donald Boringer	Office of the Governor
Ann Maddock	Office of the Governor
JENNIFER SNYDER	NC Psychological Assoc.
Dr. Annette Perot	NC Psychological Association
Dr. Spencer Lysterly	NC Psychological Association

## VISITOR REGISTRATION SHEET

## Pensions and Retirement.

Name of Committee

June 10, 2009

Date \_\_\_\_\_

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME

**FIRM OR AGENCY**

Chuck Stone	SEAN/C
Pat Strongman	Government of NC's Children
Bethany Dykstra	NCAE
Cassie Banks	NCAE
Amie Watkins	UNC GA
Erin	UNC GA



House Pages

PENSION & RETIREMENT

Name of Committee: \_\_\_\_\_

Date: 10-JUNE-09

1. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

2. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

3. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

4. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

5. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

Sgt.-At-Arms

1. Name: GERALD PERRY

MIKE MARTIN

2. Name: KEN BOURQUEAS



North Carolina General Assembly  
**House Committee on Pensions & Retirement**

**MINUTES**

~

Wednesday, June 17, 2009

The House Committee on Pensions and Retirement met Wednesday, June 17, 2009 at 10:00 a.m. in Room 415 of the Legislative Office Building. The following members were present: Representative Tucker, Chair, Representatives Bell, Folwell, Hurley and McGee, Vice Chairs, Representatives Farmer-Butterfield, McLawhorn, Ross and Tolson. Twelve visitors were present and a visitor's registration sheet is attached as part of these minutes.

The Chair called the meeting to order and asked the Pages to introduce themselves. They were: Jonathan Albertson, Guilford County, sponsored by Representative Blust, Jackson Weeks, Wake County, sponsored by Speaker Hackney, Meagan Laframboise, Gaston County, sponsored by Representative Newmann and Will Edwards, Columbus County, sponsored by Representative Hill. Reginald Sills, Judy Turner and Michael Martin served as Sergeant-at-Arms.

Senator Clodfelter's bill **SB 389** was removed from the agenda at the request of the sponsor.

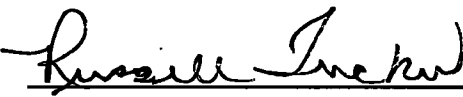
The Chair then recognized Senator Hartsell to present **SB 390 - AN ACT TO AUTHORIZE THE TOWN OF MIDLAND TO PARTICIPATE IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM WITHOUT PROVIDING PRIOR SERVICE CREDITS TO ITS EMPLOYEES. (Attachment #1)**. He explained that this is the same as HB 560. Senator Hartsell explained the bill. Representative Bell moved to give the bill a favorable report. Motion carried.

Chairman Tucker announced that **HB 229** had been pulled from the calendar at the request of the sponsor.

He then recognized Representative Wray to present HB 1160 - AN ACT TO ALLOW CERTAIN FIREFIGHTERS THE OPPORTUNITY TO CONTINUE AS MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND BY MAKING RETROACTIVE PAYMENTS. (Attachment #2). A PCS was presented and Representative McLawhorn moved to approve it for consideration. Motion carried. Representative Wray explained the bill stating it was an agency bill and asked Staff to assist with explanation of technical corrections. After discussion, Representative Tolson moved for a favorable report to the PCS, unfavorable to the original and re-refer to the Committee on Appropriations. Motion passed.

There being no further business, the meeting adjourned at 10:15 a.m.

Respectfully submitted,

  
Representative Russell Tucker, Chair

  
Sally Gillis, Committee Assistant

# **AGENDA**

## **HOUSE COMMITTEE ON PENSIONS AND RETIREMENT**

**Wednesday, June 17, 2009**

**Room 415 LOB**

**10:00 A.M.**

### **OPENING REMARKS**

<b>HB 229</b>	<b>RETIRED TEACHERS RETURN TO WORK</b>	<b>Representative McLawhorn</b>
<b>HB 560/ SB 390</b>	<b>MIDLAND RETIREMENT</b>	<b>Representative Johnson &amp; Senator Hartsell</b>
<b>HB 1160</b>	<b>FIRE AND RESCUE PENSION FUND ADDITIONS</b>	<b>Representative Wray</b>
<b>SB 389</b>	<b>HOUSING AUTHORITY RETIREMENT</b>	<b>Senator Clodfelter</b>

### **ADJOURNMENT**

**NORTH CAROLINA HOUSE OF REPRESENTATIVES  
COMMITTEE MEETING NOTICE  
AND  
BILL SPONSOR NOTIFICATION  
2009-2010 SESSION**

You are hereby notified that the Committee on Pensions and Retirement will meet as follows:

**DAY & DATE:**      **Wednesday, June 17, 2009**

**TIME:**              **10:00 A.M.**

**LOCATION:**         **Room 415 LOB**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

<u>Bill #</u>	<u>Short Title</u>	<u>Sponsor</u>
HB 229	Retired Teachers Return To Work	Representative McLawhorn
HB 560/ SB 390	Midland Retirement	Representative Johnson & Senator Hartsell
HB 1160	Fire And Rescue Pension Fund Additions	Representative Wray
SB 389	Housing Authority Retirement	Senator Clodfelter

Respectfully,

Representative Russell Tucker  
Chairman

I hereby certify this notice was filed by the committee assistant at the following offices at **1:00 p.m. on June 15, 2009.**

\_\_\_\_ Principal Clerk  
\_\_\_\_ Reading Clerk - House Chamber

Sally Gillis, Committee Assistant

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

S

2

SENATE BILL 390\*  
Pensions & Retirement & Aging Committee Substitute Adopted 3/26/09

Short Title: Midland Retirement.

(Local)

Sponsors:

Referred to:

March 4, 2009

## A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE TOWN OF MIDLAND TO PARTICIPATE IN THE  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM WITHOUT  
PROVIDING PRIOR SERVICE CREDITS TO ITS EMPLOYEES.

The General Assembly of North Carolina enacts:

**SECTION 1.** Notwithstanding any other provision of law, if the Town of Midland becomes a member of the Local Governmental Employees' Retirement System, the town council may elect to provide no prior service credit in the Retirement System for employees employed prior to the date that the town becomes a participating employer in the Retirement System. If no prior service credit is given for employees of the town for service provided to the town prior to its participation in the Retirement System, then the town shall not be required to pay for any prior service credits for its employees.

**SECTION 2.** This act applies only to the Town of Midland.

**SECTION 3.** This act is effective when it becomes law.





## SENATE BILL 390: Midland Retirement

2009-2010 General Assembly

**Committee:** House Pensions and Retirement  
**Introduced by:** Sen. Hartsell  
**Analysis of:** Second Edition

**Date:** June 16, 2009  
**Prepared by:** Theresa Matula  
Committee Staff

**SUMMARY:** *Senate Bill 390 authorizes the Town of Midland to participate in the Local Governmental Employees' Retirement System and further provides that if the town council elects to become a member of the LGERS and to not provide prior service credit, then it shall not be required to pay for service credits.*

[As introduced, this bill was identical to H560, as introduced by Reps. Johnson, Barnhart, which is currently in House Pensions and Retirement.]

### **BILL ANALYSIS:**

Senate Bill 390 applies only to the Town of Midland and allows the Town to become a member of the Local Governmental Employees' Retirement System (LGERS). If the town elects to become a LGERS member and to provide no prior service credit in the Retirement System for employees employed prior to the date the authority becomes a participating member, then the town is not required to pay for any prior service credits.

### **EFFECTIVE DATE:**

The bill becomes effective when it becomes law.

S390-SMSH-140(e2) v1

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☒ Committee Substitute for

**SB 390**      A BILL TO BE ENTITLED AN ACT TO AUTHORIZE THE TOWN OF MIDLAND TO PARTICIPATE IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM WITHOUT PROVIDING PRIOR SERVICE CREDITS TO ITS EMPLOYEES.

☒ With a favorable report.

**(FOR JOURNAL USE ONLY)**

---

\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of \_\_\_\_\_.



CAL BILL

Rep Linda Johnson

ss. Ret - Aging

Committee Substitute For

S.B. 390

FD H-560

SESSION LAW

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE TOWN OF MIDLAND TO PARTICIPATE IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM WITHOUT PROVIDING PRIOR SERVICE CREDITS TO ITS EMPLOYEES.

Introduced by Senator(s)

Hartnell

Principal Clerk's Use Only

Committee Substitute  
Adopted  
Pursuant to Rule 45.1

MAR 26 2009

PASSED 2nd & 3rd  
READINGS

47-0 VV  
MAR 30 2009

ORDERED SENT TO  
HOUSE OF REPRESENTATIVE

Janet Smith

RECEIVED

MAR 31 2009 3:14 pm

PASSED 1st READING

APR 1 2009

AND REFERRED TO COMMITTEE

ON Local Government

of Bay Pensions  
& Retirement  
The Committee on Local Government  
a majority being present, having considered  
this bill, recommend that it do pass.

Rep. L. Van Buren

and that it be referred to  
Committee on Pensions & Retirement

REPORTED FAVORABLY

JUN 03 2009

AND RE-REFERRED TO  
APPROPRIATIONS FINANCE

Pension & Ret.

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

H

2

**HOUSE BILL 1160  
Committee Substitute Favorable 5/7/09**

Short Title: Fire and Rescue Pension Fund Additions-AB.

(Public)

Sponsors:

Referred to:

April 8, 2009

A BILL TO BE ENTITLED

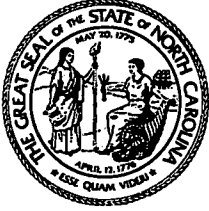
AN ACT TO ALLOW CERTAIN FIREFIGHTERS THE OPPORTUNITY TO CONTINUE  
AS MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION  
FUND BY MAKING RETROACTIVE PAYMENTS.

The General Assembly of North Carolina enacts:

**SECTION 1.** Notwithstanding any other provision of law, any member who was a firefighter employed by the Asheville Regional Airport Fire Department on April 1, 2005, and who has not received credit for periods of service with the Firemen's and Rescue Squad Workers' Pension Fund since that time, may receive credit for that service upon making a lump sum payment of ten dollars (\$10.00) for each month of service not credited and may continue as a member of the Pension Fund as long as the firefighter is continuously employed by the Asheville Regional Airport Fire Department.

**SECTION 2.** This act is effective when it becomes law.





## HOUSE BILL 1160: Fire and Rescue Pension Fund Additions-AB

2009-2010 General Assembly

---

<b>Committee:</b>	House Pensions and Retirement, if favorable, Appropriations	<b>Date:</b>	June 16, 2009
<b>Introduced by:</b>	Reps. Wray, Goforth	<b>Prepared by:</b>	Theresa Matula
<b>Analysis of:</b>	PCS to Second Edition H1160-CSSH-55		Committee Staff

---

**SUMMARY:** *The Proposed Committee Substitute for HB 1160 allows certain firefighters in the Asheville Regional Airport Fire Department to make retroactive payments for service not credited and to continue as members of the Firemens' and Rescue Squad Workers' Pension Fund.*

### BILL ANALYSIS:

The PCS for House Bill 1160 allows any member of the Firemen's and Rescue Squad Workers' Pension Fund that meets the following criteria:

- employed by the Asheville Regional Airport Fire Department on April 1, 2005, and
- has not received credit for periods of service with the Firemen's and Rescue Squad Workers' Pension Fund since that time,

to receive credit for that service upon making a lump sum payment of \$10.00 for each month of service not credited.

The PCS also allows employees of the Asheville Regional Airport Fire Department that meet the criteria outlined in this bill to continue as a member of the Firemen's and Rescue Squad Workers' Pension Fund.

### EFFECTIVE DATE:

The PCS for HB 1160 would become effective when it becomes law and applies only to those employees of the Asheville Regional Airport Fire Department who were employed on or before April 1, 2005, and remain continuously employed by the Asheville Regional Airport Fire Department.

H1160-SMSH-144(CSSH-55) v2

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

**H**

**D**

**HOUSE BILL 1160  
Committee Substitute Favorable 5/7/09  
PROPOSED COMMITTEE SUBSTITUTE H1160-PCS30411-SH-55**

Short Title: Fire and Rescue Pension Fund Additions-AB.

(Public)

Sponsors:

Referred to:

April 8, 2009

A BILL TO BE ENTITLED

AN ACT TO ALLOW CERTAIN FIREFIGHTERS THE OPPORTUNITY TO CONTINUE  
AS MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION  
FUND BY MAKING RETROACTIVE PAYMENTS.

The General Assembly of North Carolina enacts:

**SECTION 1.** Notwithstanding any other provision of law, any member who was a firefighter employed by the Asheville Regional Airport Fire Department on April 1, 2005, and who has not received credit for periods of service with the Firemen's and Rescue Squad Workers' Pension Fund since that time, may receive credit for that service upon making a lump-sum payment of ten dollars (\$10.00) for each month of service not credited. Any employee of the Asheville Regional Airport Fire Department that meets all the criteria of this section may continue as a member of the Pension Fund.

**SECTION 2.** This act is effective when it becomes law and applies only to those employees of the Asheville Regional Airport Fire Department who were employed on or before April 1, 2005, and remain continuously employed by the Asheville Regional Airport Fire Department.



\* H 1 1 6 0 - P C S 3 0 4 1 1 - S H - 5 5 \*

**JANET COWELL  
STATE TREASURER**



**MICHAEL WILLIAMSON  
DEPUTY TREASURER**

May 7, 2009

The Honorable Russell Tucker  
Chairman of the House Committee  
On Pensions and Retirement  
Suite 416-B of the Legislative Office Building  
Raleigh, North Carolina

Re: Actuarial Note/House Bill 1160

Dear Representative Tucker:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 1160, which affects the Firefighters' Relief Fund Additions-AB.

Please let me know if you have any questions with regard to this actuarial note. Also, please let me know when you wish us to appear before your Committee with regard to this note.

Sincerely yours,

Michael Williamson  
Director

/lpp

Enclosure



May 6, 2009

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: House Bill 1160**

Dear Mr. Vanderweide:

We have received your request of May 4 regarding House Bill 1160, which affects the Firemen's and Rescue Squad Workers' Pension Fund (FRSWPF).

This proposed legislation appears to allow members who were employees of the Asheville Regional Airport Fire Department on April 1, 2005, to receive credit for past service upon paying \$10 per month for such past service. This proposed legislation also provides that these employees may continue as members of FRSWPF as long as they are continuously employed by the Asheville Regional Airport Fire Department.

Based on the results of the June 30, 2008 valuation and the data submitted on May 4, this proposed legislation would not materially increase the liabilities (less than 0.03% or about \$100,000) or the required contribution (less than 0.20% or about \$15,000 per year) of FRSWPF.

Our cost estimate for this proposed change is based on the June 30, 2008, valuation and does not reflect the asset experience that occurred during the second half of 2008. The asset experience that occurred during the second half of 2008 will result in a significant increase in the required contributions for the 2010 - 2011 fiscal year.

I am an Enrolled Actuary, a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



Mr. David Vanderweide  
May 6, 2009  
Page 2

If you have any questions or need additional assistance, please let us know.

Very truly yours,

*Richard Mackesey / mar*

Richard A. Mackesey, FSA, EA, MAAA  
Principal, Consulting Actuary

RAM:km  
\\NCICOR\90506RM1.DOC

THIS IS TO CERTIFY THAT THIS IS A  
TRUE AND EXACT COPY OF AN  
ORIGINAL ACTUARIAL NOTE.

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND  
RETIREMENT.

☒ Committee Substitute for

**HB 1160**

A BILL TO BE ENTITLED AN ACT TO ALLOW CERTAIN  
FIREFIGHTERS THE OPPORTUNITY TO CONTINUE AS MEMBERS OF THE FIREMEN'S  
AND RESCUE SQUAD WORKERS' PENSION FUND BY MAKING RETROACTIVE  
PAYMENTS.

☒ With a favorable report as to House Committee Substitute Bill #2, unfavorable as to House  
Committee Substitute Bill #1, and recommendation that House Committee Substitute Bill #2 be  
re-referred to the Committee on APPROPRIATIONS.

**(FOR JOURNAL USE ONLY)**

\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on  
\_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution  
(No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_)  
is placed on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the  
Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute  
Bill/(Joint) resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.



**PUBLIC BILL**

*Title Change*

~~Referred~~ Committee Substitute For  
H.B. 1160

SESSION LAW \_\_\_\_\_

**A BILL TO BE ENTITLED**

AN ACT TO ALLOW CERTAIN FIREFIGHTERS THE OPPORTUNITY TO CONTINUE AS MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND BY MAKING RETROACTIVE PAYMENTS.

Introduced by Representative(s): *Wray - Goforth (Primary Sponsors)*

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

*val Clerk's Use Only*

ie Committee on *Insurance*  
majority being present, *✓*  
is bill, recommend that it do *✓*

*Goforth + Wray*  
For the Committee

nd referred to  
*Finance.*

☒ FAVORABLE TO COMM. SUB  
☐ UNFAVORABLE TO BILL

MAY 7 2009 **TITLE CHANGE**  
*serial referral*  
AND PLACED ON  
CALENDAR FOR  
*re-referral*

*Finance stricken*  
*re-referred to Pensions*  
*and Retirement (and if*  
*for re-ref to Appropriations*  
*serial referral added*

HOUSE PAGES

PENSIONS + Retirement  
NAME OF COMMITTEE \_\_\_\_\_

DATE 6/17/09

1. Name: Jonathan Albertson

County: Guilford

Sponsor: Blust

2. Name: Jackson Weeks

County: Wake

Sponsor: Joe Hackney

3. Name: Meagan Laframboise

County: Gaston

Sponsor: Wil Neumann

4. Name: Will Edwards

County: Columbus

Sponsor: Dewey Hill

5. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

SGT-AT-ARM

1. Name: Robert Sills

2. Name: Judy Turner

3. Name: Michael Martin

4. Name: \_\_\_\_\_

## VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

JUNE 17, 2009

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Christopher Jones	NCDST
Allan Beckmann	NCDST
David Starling	NCDST
David Vanderweide	NCDST
Jim Stegall	U.C.P.S.
Paul Presnell Jr.	NCRSP
Ed Regan	NCRGEA
Pam Deardorff	NC Retired School Personnel

# VISITOR REGISTRATION SHEET

*Pension + Retirement*

*6/17/05*

Name of Committee

Date

**VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK**

NAME

FIRM OR AGENCY AND ADDRESS

*David Bourj*

*MWC*

*Marge Forman*

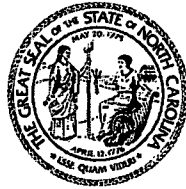
*NCAE*

*Ardis Watkins*

*SEANC*

*Suzanne G. Malyer*

*SEANC*



North Carolina General Assembly  
**House Committee on Pensions & Retirement**

**MINUTES**

~

Wednesday, June 24, 2009

The House Committee on Pensions and Retirement met Wednesday, June 24, 2009 at 10:00 a.m. in Room 415 of the Legislative Office Building. The following members were present: Representative Russell Tucker, Chair, Representatives Bell, Folwell, Hurley and McGee, Vice Chairs and Representatives Ross and Tolson. Fourteen visitors attended and a visitor's registration sheet is attached as part of these minutes.

The Chair called the meeting to order and asked the pages to introduce themselves. They were Lexi Hergeth, Wake County, sponsored by Representative Stam, Samantha Gregg, Edgecombe County, sponsored by Representative Joe Tolson, Hillary Davis, Wake County, sponsored by Representative Ross and Cari Hobson, Lee County, sponsored by Speaker Hackney. Reggie Sills, David Shearon and Michael Martin served as Sergeant-at-Arms.

Representative Ross moved to adjust the calendar to take up a bill not listed on the committee notice. Motion was approved and the Chair recognized Representative Kelly Alexander to present SB 389 - **AN ACT TO AUTHORIZE THE HOUSING AUTHORITY OF THE CITY OF CHARLOTTE AND ROBESON COUNTY HOUSING AUTHORITY TO PARTICIPATE IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM WITHOUT PROVIDING PRIOR SERVICE CREDITS TO THEIR EMPLOYEES.** (*Attachment #1*). A motion was made by Representative Bell to accept a PCS for consideration. Motion carried. Representative Alexander explained the bill and called on Staff to assist him. Eddie Caldwell with the NC Sheriffs' Association spoke on the bill. He introduced Attorney Richard Rogers to help explain some legal issues. Representative Tolson moved to give the PCS a favorable report, unfavorable to original bill and go straight to the floor. After remarks from David Vanderweide with the NC State Treasurer's office and further discussion, Representative Tolson's motion failed and the original bill was put back before the committee.

Representative McGee moved for a favorable report to the original bill. Motion carried. Representative Alexander will handle the bill on the house floor.

Chairman Tucker recognized Senator Atwater to present SB 658 - **AN ACT TO MODIFY THE MEMBERSHIP OF THE SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES.** (*Attachment #2*). A PCS was presented and Representative McLawhorn moved to accept it for consideration. Motion carried. Senator Atwater explained the bill which would modify the membership of the Supplemental Retirement Board of Trustees to direct that one of the Governor's appointees be a retired governmental employee. After discussion, Representative McLawhorn moved to give the PCS a favorable report, unfavorable to the original and go straight to house floor. Motion carried.

There being no further business, the meeting adjourned at 11:30 a.m.

Respectfully submitted,

  
Representative Russell Tucker, Chair

  
Sally Gillis Committee Assistant

# **AGENDA**

## **HOUSE COMMITTEE ON PENSIONS AND RETIREMENT**

**Wednesday, June 24, 2009**

**Room 415 LOB**

**10:00 A.M.**

### **OPENING REMARKS**

<b>SB 389</b>	<b>HOUSING AUTHORITY RETIREMENT</b>	<b>Senator Clodfelter</b>
<b>SB 658</b>	<b>MODIFY SUPPLEMENTAL RETIREMENT BOARD</b>	<b>Senator Atwater</b>

### **ADJOURNMENT**

**NORTH CAROLINA HOUSE OF REPRESENTATIVES  
COMMITTEE MEETING NOTICE  
AND  
BILL SPONSOR NOTIFICATION  
2009-2010 SESSION**

You are hereby notified that the Committee on **Pensions and Retirement** will meet as follows:

**DAY & DATE:**     **Wednesday, June 24, 2009**

**TIME:**             **10:00 A.M.**

**LOCATION:**        **Room 415 LOB**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

<u>Bill #</u>	<u>Short Title</u>	<u>Sponsor</u>
<b>SB 389</b>	<b>Housing Authority Retirement</b>	<b>Senator Clodfelter</b>

Respectfully,

Representative Russell Tucker  
Chairman

I hereby certify this notice was filed by the committee assistant at the following offices at **3:00 p.m.** on **June 22, 2009**.

\_\_\_\_Principal Clerk  
\_\_\_\_Reading Clerk - House Chamber

Sally Gillis, Committee Assistant



**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

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**SENATE BILL 389**

**Pensions & Retirement & Aging Committee Substitute Adopted 3/26/09  
House Committee Substitute Favorable 6/3/09**

Short Title:   Housing Authority Retirement.

(Local)

Sponsors:

Referred to:

March 4, 2009

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE HOUSING AUTHORITY OF THE CITY OF CHARLOTTE  
AND THE ROBESON COUNTY HOUSING AUTHORITY TO PARTICIPATE IN THE  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM WITHOUT  
PROVIDING PRIOR SERVICE CREDITS TO THEIR EMPLOYEES.

The General Assembly of North Carolina enacts:

**SECTION 1.** Notwithstanding any other provision of law, if the Housing Authority of the City of Charlotte or the Robeson County Housing Authority becomes a member of the Local Governmental Employees' Retirement System, the authority board may elect to provide no prior service credit in the Retirement System for employees employed prior to the date that the authority becomes a participating employer in the Retirement System. If no prior service credit is given for employees of the authority for service provided to the authority prior to its participation in the Retirement System, then the authority shall not be required to pay for any prior service credits for its employees.

**SECTION 2.** This act applies only to the Housing Authority of the City of Charlotte and the Robeson County Housing Authority.

**SECTION 3.** This act is effective when it becomes law.





## SENATE BILL 389: Housing Authority Retirement

2009-2010 General Assembly

**Committee:** House Pensions and Retirement  
**Introduced by:** Sen. Clodfelter  
**Analysis of:** Third Edition

**Date:** June 16, 2009  
**Prepared by:** Theresa Matula  
Committee Staff

**SUMMARY:** *Senate Bill 389 authorizes the Housing Authority for the City of Charlotte and Robeson County Housing Authority to participate in the Local Governmental Employees' Retirement System and further provides that if either Housing Authority elects to become a member of the LGERS and to not provide prior service credit, then it shall not be required to pay for service credits.*

### BILL ANALYSIS:

Senate Bill 389 applies only to the Housing Authority of the City of Charlotte and the Robeson County Housing Authority and allows each Housing Authority to become a member of the Local Governmental Employees' Retirement System. If the authority elects to provide no prior service credit in the retirement System for employees employed prior to the date the authority becomes a participating member, then the authority is not required to pay for any prior service credits.

### EFFECTIVE DATE:

The bill becomes effective when it becomes law.

S389-SMSH-139(e3) v1

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

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SENATE BILL 389  
Pensions & Retirement & Aging Committee Substitute Adopted 3/26/09  
House Committee Substitute Favorable 6/3/09  
PROPOSED HOUSE COMMITTEE SUBSTITUTE S389-CSRO-64 [v.1]

6/23/2009 7:18:54 PM

Short Title: Local Ret. System/Housing Authority and NCSA.

(Public)

Sponsors:

Referred to:

March 4, 2009

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE HOUSING AUTHORITY OF THE CITY OF CHARLOTTE AND THE ROBESON COUNTY HOUSING AUTHORITY TO PARTICIPATE IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM WITHOUT PROVIDING PRIOR SERVICE CREDITS TO THEIR EMPLOYEES, AND TO INCLUDE THE NORTH CAROLINA SHERIFFS' ASSOCIATION AS AN EMPLOYER UNDER THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

**SECTION 1.(a)** Notwithstanding any other provision of law, if the Housing Authority of the City of Charlotte or the Robeson County Housing Authority becomes a member of the Local Governmental Employees' Retirement System, the authority board may elect to provide no prior service credit in the Retirement System for employees employed prior to the date that the authority becomes a participating employer in the Retirement System. If no prior service credit is given for employees of the authority for service provided to the authority prior to its participation in the Retirement System, then the authority shall not be required to pay for any prior service credits for its employees.

(b) This section applies only to the Housing Authority of the City of Charlotte and the Robeson County Housing Authority.

**SECTION 2.** G.S. 128-21 reads as rewritten:

**"§ 128-21. Definitions.**

The following words and phrases as used in this Article, unless a different meaning is plainly required by the context, shall have the following meanings:

...

- (11) "Employer" shall mean any county, incorporated city or town, the board of alcoholic control of any county or incorporated city or town, the North Carolina League of Municipalities, and the State Association of County Commissioners. Commissioners, and the North Carolina Sheriffs' Association. "Employer" shall also mean any separate, juristic political subdivision of the State as may be approved by the Board of Trustees upon the advice of the Attorney General. "Employer" also means any fire department that serves a city or county or any part of a city or county and that is supported in whole or in part by municipal or county funds.

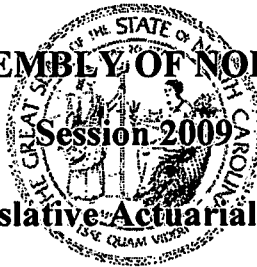


\* S 3 8 9 - C S R O - 6 4 - V - 1 \*

...."

**SECTION 3.** Section 2 of this act becomes effective August 1, 2009. The remainder of this act is effective when it becomes law.

# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

### RETIREMENT

### REVISED

**BILL NUMBER:** Senate Bill 389 (House Proposed Committee Substitute)

**SHORT TITLE:** Housing Authority Retirement.

**SPONSOR(S):** Senator Clodfelter

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**FUNDS AFFECTED:** Local Funds of the Charlotte Housing Authority or the Robeson County Housing Authority and funds of the North Carolina Sheriff's Association

**SYSTEM OR PROGRAM AFFECTED:** Local Governmental Employees' Retirement System

**EFFECTIVE DATE:** When it becomes law.

**BILL SUMMARY:** Provides that if the Housing Authority of the City of Charlotte or the Robeson County Housing Authority becomes a participating employer of the Local Governmental Employees' Retirement System, the authority board may elect to provide no prior service credit in the System for employees that are employed before the date the authority becomes a participating employer in the System. If the authority elects not to allow prior service, then no credit will be given to the employees for service provided before participation in the System and the authority will not be required to pay for any prior service credits.

The bill also changes the in the definition of "Employer" in the Local Governmental Employees' Retirement System to include the North Carolina Sheriffs' Association. This will allow any present and future employees of the Association to be members of the Local System and all employees employed at the date of participation will receive all prior service they have worked with the Sheriffs' Association at no change to the employee.

In the late 1990s, the law relating to the Local Governmental Employee's Retirement System allowed fire department to be members of the System, if they received any funding from a city or county. The result was that some fire departments, that were non-profit corporations, were allowed to participate in the System. A ruling from the Internal Revenue Service was later requested and, in 2001, the Internal Revenue Service ruled that allowing non-profit corporations to participate would jeopardize the tax qualifications of the System. Since then, there have been no new non-profit corporations allowed to participate in the Local System.

**Since the North Carolina Sheriff's Association is a non profit corporation, this would be in direct violation of the 2001 ruling from the Internal Revenue Service.**

**ESTIMATED IMPACT ON LOCAL STSYEM:** Both the Systems' actuary, Buck Consultants, and the General Assembly's actuary, Hartman & Associates, agree that there would be no impact on the Local Governmental Employees' Retirement System by allowing the Charlotte Housing Authority or the Robeson County Housing Authority to participate without allowing prior service to its employees.

Both the Retirement System Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, agree that there would be no cost if the North Carolina Sheriffs' Association became a participating employer.

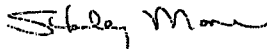
**ASSUMPTIONS AND METHODOLOGY:** **Local Governmental Employees' Retirement System:** The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2007 actuarial valuation of the fund. The data included 127,959 active members with an annual payroll of \$4.75 billion, 42,408 retired members in receipt of annual pensions totaling \$689.4 million, and actuarial value of assets equal to \$16.8 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables, (tables are set forward three years for males, set forward two years for females and set forward two years for the beneficiaries of deceased members and special mortality tables are used for period after disability retirement), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Gains and losses are reflected in the normal rate. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** Buck Consultants  
Hartman & Associates, LLC

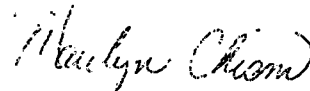
**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION: (919) 733-4910.** The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**PREPARED BY:** Stanley Moore



**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division



**DATE:** June 23, 2009



June 5, 2009

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: Senate Bill 389 – Committee Substitute**

Dear Mr. Vanderweide:

We have received your request of June 5 regarding the Committee Substitute to Senate Bill 389, which affects the Local Governmental Employees' Retirement System (LGERS).

Section 1 of this proposed legislation states that if the Housing Authority of the City of Charlotte or the Robeson County Housing Authority becomes a member of LGERS then, upon authority board election, the authority may become a member of LGERS without providing service credit in LGERS for their employees' periods of service prior to the authority's participation in LGERS and without paying for any of this prior service credit.

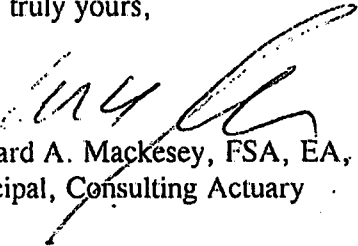
This proposed change will have no impact of the contribution requirements for any other municipalities covered by LGERS and will require the authority to contribute for only the service granted for its employees under LGERS.

Our cost estimate for this benefit enhancement is based on the LGERS valuation as of December 31, 2007.

I am an Enrolled Actuary, a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions or need additional assistance, please let us know.

Very truly yours,

  
Richard A. Mackesey, FSA, EA, MAAA  
Principal, Consulting Actuary

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# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

March 17, 2009

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: Senate Bill 389 Proposed House Committee Substitute: An Act to Authorize the Housing Authority of the City of Charlotte and the Robeson County Housing Authority to Participate in the LGERS Without Providing Prior Service Credits

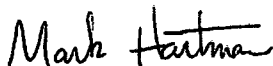
Dear Mr. Moore:

This committee substitute to the bill authorizes the Housing Authority of the City of Charlotte and the Robeson County Housing Authority to become members of the Local Governmental Employees' Retirement System (LGERS) and to provide no prior service credit for service prior to the date of participation in the LGERS. If the Authorities elect not to provide credit for prior service, the authorities will not be required to pay for any prior service credits for their employees. This act is effective when it becomes law.

If no prior service is granted, the Housing Authorities will not have an initial unfunded accrued liability. I reviewed the census information provided for 184 employees of the Charlotte Housing Authority and 10 employees of the Robeson County Housing Authority. The demographics for each group show a slightly older age distribution than for the current LGERS active members. However, my analysis indicated that the addition of these employees is not expected to alter the normal contribution rated in the LGERS. Thus, this bill is not expected to have a significant financial impact on the LGERS.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt



April 16, 2009

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: House Bill 1095**

Dear Mr. Vanderweide:

We have received your request of April 8 regarding House Bill 1095, which affects members covered by the Local Governmental Employees' Retirement System (LGERS).

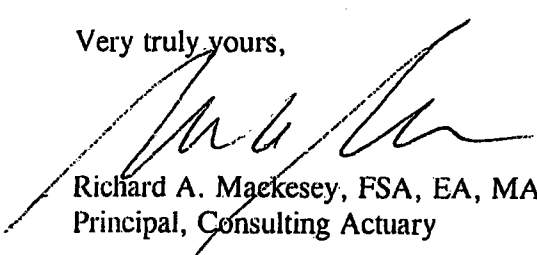
This proposed legislation amends G.S. 128-21 to allow the members of the North Carolina Sheriff's Association to join the system. The effective date of this proposed legislation is July 1, 2009.

Since members of the North Carolina Sheriff's Association would elect to join the system by the pre-valuation process currently in place and pay the required accrued liability and normal cost contribution rates, this proposed legislation will not increase the contribution rates for local employers in LGERS.

I am an Enrolled Actuary, a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Maekesey, FSA, EA, MAAA  
Principal, Consulting Actuary

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# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

April 20, 2009

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: House Bill 1095: An Act to Include the North Carolina Sheriffs' Association in the LGERS

Dear Mr. Moore:

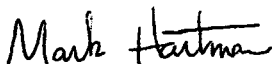
This bill amends G.S. 128-21 to include the North Carolina Sheriffs' Association in the definition of Employer in the Local Governmental Employees' Retirement System (LGERS). This act is effective July 1, 2009.

The number of employees of this association is not expected to be large enough to altar the normal rate of the LGERS. Also, any past service liability will be funded through an accrued liability contribution payable by the association. Thus, this bill is not expected to have a material financial impact on the LGERS.

As a technical observation, I note that the association is a private, non-profit organization. Including this association in the LGERS could impact the tax-qualified status of the plan, and this issue should be addressed by legal counsel.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☒ House Committee Substitute ~~#214~~

**SB 389**      A BILL TO BE ENTITLED AN ACT TO AUTHORIZE THE HOUSING AUTHORITY OF THE CITY OF CHARLOTTE AND THE ROBESON COUNTY HOUSING AUTHORITY TO PARTICIPATE IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM WITHOUT PROVIDING PRIOR SERVICE CREDITS TO THEIR EMPLOYEES.

☒ With a favorable report.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of \_\_\_\_\_.

Proposed House Committee Substitute For  
S.B. 389

SESSION LAW \_\_\_\_\_

**A BILL TO BE ENTITLED**

AN ACT TO AUTHORIZE THE HOUSING AUTHORITY OF THE CITY OF CHARLOTTE AND THE ROBESON COUNTY HOUSING AUTHORITY TO PARTICIPATE IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM WITHOUT PROVIDING PRIOR SERVICE CREDITS TO THEIR EMPLOYEES.

Introduced by Senator(s)

Clodfelter

Principal Clerk's Use Only

Committee on Local Government I  
by being present, having considered  
recommend that it do ✓ pass.

Rep. Earl Jones

For the Committee

be re-referred to the  
the on Pensions and  
rent.

FAVORABLE TO COMM. SUB.

UNFAVORABLE TO BILL

JUN 3 2009

AND PLACED ON

CALENDAR FOR

Pensions & Ret

FILE CHANGE

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

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**SENATE BILL 658**

**Pensions & Retirement & Aging Committee Substitute Adopted 5/13/09**

Short Title:   Modify Supplemental Retirement Board.

(Public)

Sponsors:

Referred to:

March 19, 2009

- 1                                   A BILL TO BE ENTITLED  
2 AN ACT TO MODIFY THE MEMBERSHIP OF THE SUPPLEMENTAL RETIREMENT  
3 BOARD OF TRUSTEES.  
4 The General Assembly of North Carolina enacts:  
5       **SECTION 1.** G.S. 135-96 reads as rewritten:  
6 **"§ 135-96. Supplemental Retirement Board of Trustees.**  
7       (a) The Supplemental Retirement Board of Trustees is established to administer the  
8 Supplemental Retirement Income Plan established under the provisions of this Article and the  
9 North Carolina Public Employee Deferred Compensation Plan established under  
10 G.S. 143B-426.24.  
11       (b) The Board consists of nine voting members, as follows:  
12           (1) Six persons appointed by the Governor who have experience in finance and  
13               investments, one of whom shall be a State ~~employee; employee, and one of~~  
14               whom shall be a retired State or local governmental employee;  
15           (2) One person appointed by the General Assembly upon the recommendation  
16               of the Speaker of the House of Representatives;  
17           (3) One person appointed by the General Assembly upon the recommendation  
18               of the President Pro Tempore of the Senate; and  
19           (4) The State Treasurer, ex officio, who shall be the Chair.  
20       (c) The initial appointments by the General Assembly and two of the Governor's initial  
21 appointments shall be for one-year terms. The remainder of the initial appointments shall be for  
22 two-year terms. At the expiration of these initial terms, appointments shall be for two years and  
23 shall be made by the appointing authorities designated in subsection (b) of this section. A  
24 member shall continue to serve until the member's successor is duly appointed, but a holdover  
25 under this provision does not affect the expiration date of the succeeding term. No member of  
26 the Board may serve more than three consecutive two-year terms.  
27       (d) Other than ex officio members, members appointed by the Governor shall serve at  
28 the Governor's pleasure. An ex officio member may designate in writing, filed with the Board,  
29 any employee of the member's department to act at any meeting of the Board from which the  
30 member is absent, to the same extent that the member could act if present in person at such  
31 meeting."  
32       **SECTION 2.** This act becomes effective July 1, 2009.





## SENATE BILL 658: Modify Supplemental Retirement Board

2009-2010 General Assembly

**Committee:** House Pensions and Retirement  
**Introduced by:** Sen. Atwater  
**Analysis of:** PCS to Second Edition  
S658-CSLL-48

**Date:** June 24, 2009  
**Prepared by:** Karen Cochrane-Brown  
Committee Counsel

**SUMMARY:** *Senate Bill 658 would modify the membership of the Supplemental Retirement Board of Trustees to direct that one of the Governor's appointees be a retired governmental employee.*

*The PCS adds a new section which provides that a member of the Local Governmental Employees Retirement System (LGERS) who is furloughed shall be entitled to the same retirement benefits the member would have been entitled to had the furlough not occurred. An employer who opts for this provision must pay both the employer and employee contributions.*

### CURRENT LAW:

In 2008, the General Assembly amended the law to consolidate the Board of Trustees for the North Carolina Public Employee Deferred Compensation Plan and the Board of Trustees for the Supplemental Retirement Income Plan into the Supplemental Retirement Board of Trustees. The act calls for the consolidated Board to administer both Plans.

The Supplemental Retirement Board of Trustees consists of nine voting members, including six members appointed by the Governor who have experience in finance and investments, one of whom must be a State employee, one member appointed by the General Assembly on the recommendation of the Speaker of the House, one member appointed by the General Assembly on the recommendation of the President Pro Tempore of the Senate, and the State Treasurer.

The act was made effective July 1, 2009. Between July 1, 2008 and June 30, 2009, a transitional Board of Trustees was created to administer the Plans.

### BILL ANALYSIS:

Senate Bill 658 amends the law governing the Supplemental Retirement Board of Trustees to provide that one of the six members appointed by the Governor who has experience in finance and investments shall be a retired state or local governmental employee.

Section 2 of the bill provides that a public employee who is a member of the LGERS and who is furloughed shall be considered in active service and entitled to the same benefits to which the employee was entitled on the day before the furlough commenced. The employer who opts for this provision is required to pay both the employer and employee contributions on behalf of the furloughed employee. This provision is similar to the one enacted for State employees in S.L. 2009-29 (HB 917).

**EFFECTIVE DATE:** Section 2 of the act is effective when it becomes law and applies to local government furloughs on and after January 1, 2009. The remainder of the act becomes effective July 1, 2009.

S658-SMRO-132(CSLL-48) v1

Research Division

O. Walker Reagan, Director

(919) 733-2578

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

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**SENATE BILL 658**  
**Pensions & Retirement & Aging Committee Substitute Adopted 5/13/09**  
**PROPOSED HOUSE COMMITTEE SUBSTITUTE S658-CSLL-48 [v.3]**

6/23/2009 9:19:42 AM

Short Title:   Modify Supp. Retirement Board/Furloughs.

(Public)

Sponsors:

Referred to:

March 19, 2009

1                                   A BILL TO BE ENTITLED  
2 AN ACT TO MODIFY THE MEMBERSHIP OF THE SUPPLEMENTAL RETIREMENT  
3 BOARD OF TRUSTEES AND TO PROVIDE THAT THE FURLOUGH OF A MEMBER  
4 OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM SHALL  
5 NOT DIMINISH THE EMPLOYEE'S STATUS IN THE RETIREMENT SYSTEM.

6 The General Assembly of North Carolina enacts:

7                   **SECTION 1.** G.S. 135-96 reads as rewritten:

8 **"§ 135-96. Supplemental Retirement Board of Trustees.**

9       (a)   The Supplemental Retirement Board of Trustees is established to administer the  
10 Supplemental Retirement Income Plan established under the provisions of this Article and the  
11 North Carolina Public Employee Deferred Compensation Plan established under  
12 G.S. 143B-426.24.

13       (b)   The Board consists of nine voting members, as follows:

14           (1)   Six persons appointed by the Governor who have experience in finance and  
15                investments, one of whom shall be a State ~~employee~~; employee, and one of  
16                whom shall be a retired State or local governmental employee;

17           (2)   One person appointed by the General Assembly upon the recommendation  
18                of the Speaker of the House of Representatives;

19           (3)   One person appointed by the General Assembly upon the recommendation  
20                of the President Pro Tempore of the Senate; and

21           (4)   The State Treasurer, ex officio, who shall be the Chair.

22       (c)   The initial appointments by the General Assembly and two of the Governor's initial  
23 appointments shall be for one-year terms. The remainder of the initial appointments shall be for  
24 two-year terms. At the expiration of these initial terms, appointments shall be for two years and  
25 shall be made by the appointing authorities designated in subsection (b) of this section. A  
26 member shall continue to serve until the member's successor is duly appointed, but a holdover  
27 under this provision does not affect the expiration date of the succeeding term. No member of  
28 the Board may serve more than three consecutive two-year terms.

29       (d)   Other than ex officio members, members appointed by the Governor shall serve at  
30 the Governor's pleasure. An ex officio member may designate in writing, filed with the Board,  
31 any employee of the member's department to act at any meeting of the Board from which the  
32 member is absent, to the same extent that the member could act if present in person at such  
33 meeting."



1       **SECTION 2.** Notwithstanding any other provision of law and at the option of the  
2 employer as defined in G.S. 128-21(11), a public employee on a furlough who is a member of  
3 the Local Governmental Employees' Retirement System administered by the Retirement  
4 Systems Division of the Department of State Treasurer shall be considered in active service  
5 during any period of furlough and shall be entitled to all of the same benefits to which the  
6 employee was entitled on the workday immediately preceding the furlough. The member shall  
7 suffer no diminution of retirement average final compensation based on being on furlough, and  
8 the retirement average final compensation shall be calculated based on the undiminished  
9 compensation. During a furlough period, the employer who opts for this provision shall pay  
10 both employee and employer contributions to the Retirement Systems Division on behalf of the  
11 furloughed employee as though the employee were in active service.

12       **SECTION 3.** Section 2 of this act is effective when it becomes law and applies to  
13 local government furloughs on and after January 1, 2009. The remainder of this act becomes  
14 effective July 1, 2009.

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☒ Committee Substitute for

**SB 658** A BILL TO BE ENTITLED AN ACT TO MODIFY THE MEMBERSHIP OF THE  
SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES.

☒ With a favorable report as to the House committee substitute bill, which changes the title, unfavorable  
as to the original bill - 1. *Sen bill sub.*

**(FOR JOURNAL USE ONLY)**

---

\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution  
(No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_) is placed  
on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the  
Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint)  
resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

# BLIC BILL

*Therker*  
*Ret & Aging*  
Proposed Committee Substitute For

S.B. 658

SESSION LAW

## A BILL TO BE ENTITLED

AN ACT TO MODIFY THE MEMBERSHIP OF THE SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES.

Introduced by Senator(s)

*Atwater*

Principal Clerk's Use Only

Committee Substitute  
Adopted  
Pursuant to Rule 45.1

MAY 13 2009

RECEIVED

MAY 18 2009 7:12 pm  
CV

REPORTED FAVORABLY

JUN 17 2009

AND RE-REFERRED TO  
APPROPRIATIONS FINANCE

*Pensions & Retirement*

PASSED 1st READING

MAY 19 2009

AND REFERRED TO COMMITTEE

ON *State Government*

*to Gov Pensions & Retirement*

The Committee on *St. Govt Personnel*  
a majority being present, having considered  
this bill, recommend that it do *pass*.

*Rep. Wickens*

For the Committee

*and is re-referred to*

PASSED 2nd & 3rd  
READINGS

*46-0* *UU*  
MAY 14 2009

REFERRED SENT TO  
OF REPRESENTATIVE

*Janet Pruitt*

# VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

JUNE 24, 2009

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Ed Regan	NCRGEA
A. Pully	DST
David Starling	NCDST
Allan Beckmann	NCDST
T. SOLARI	DST
David Vanderweide	NCDST
Sheria Reid	IOG
Ellie Caldwell	NC Shays' Assn.
Richard Rogers	Wy RICK Robbins

## VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

JUNE 24, 2009

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Larry Presnell, Jr.	N.C. Retired School Personnel
David Anders	PFFPNK
Richard O'Brien	11
Ed Rega	NC Retired Gov'tal Employees' Assoc.
Melissa Tucker	NCACC

HOUSE PAGES

PENSIONS & RETIREMENT

NAME OF COMMITTEE \_\_\_\_\_

DATE 6/24/09

1. Name: Lexi Hergeth (Her-ge-th)

County: Wake

Sponsor: Paul Stam

2. Name: Samantha Gregg

County: Edgecombe

Sponsor: Joe Tolson

3. Name: Hillary Davis

County: Wake

Sponsor: Boss

4. Name: Cari Hobson

County: Lee

Sponsor: Mr. Hackney

5. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

SGT-AT-ARM

1. Name: Reggie Sills

2. Name: David Shearon

3. Name: Michael Martin

4. Name: \_\_\_\_\_

**NORTH CAROLINA GENERAL ASSEMBLY**

**PENSIONS AND RETIREMENT  
2009-2010 SESSION**



**Representative Tucker**  
**Chair**



**Representative Bell**  
**Vice Chair**



**Representative Folwell**  
**Vice Chair**



**Representative Holloway**  
**Vice Chair**



**Representative Hurley**  
**Vice Chair**



**Representative McGee**  
**Vice Chair**



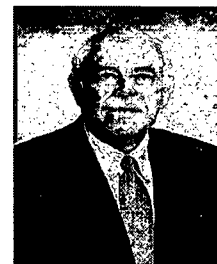
**Representative**  
**Farmer-Butterfield**



**Representative McLawhorn**



**Representative Ross**



**Representative Tolson**

## **HOUSE PENSIONS AND RETIREMENT COMMITTEE**

<b><u>MEMBER</u></b>	<b><u>ASSISTANT</u></b>	<b><u>PHONE</u></b>	<b><u>OFFICE</u></b>	<b><u>SEAT</u></b>
TUCKER, Russell, Chair	Sally Gillis Committee Assistant	715-3021	416B	48
BELL, Larry, Vice Chair	Carolyn Edwards	733-5863	538	12
FOLWELL, Dale, Vice Chair	Renee Wimbish	733-5787	306A1	75
HOLLOWAY, Bryan, Vice Chair	Lindsay McCargo	733-5609	502	98
HURLEY, Pat, Vice Chair	Marilyn Holder	733-5865	607	87
McGEE, William, Vice Chair	Jayne Nelson	733-5747	531	26
FARMER-BUTTERFIELD, Jean	Ruth Merkle	733-5898	528	53
McLÁWHORN, Marian	Susan Burleson	733-5757	1217	34
ROSS, Deborah	Margie Penven	733-5773	2223	65
TOLSON, Joe	Shirley Phillips	715-3024	307B2	59

### **STAFF**

Stanley Moore, Fiscal Research

Karen Cochrane-Brown, Research

Theresa Matula, Research



## PENSIONS AND RETIREMENT

[illegible]

North Carolina General Assembly  
Through House Committee on  
Pensions and Retirement

Date: 07/09/2010  
Time: 10:58  
Page: 002 of 003  
Leg. Day: H-150/S-147

2009-2010 Biennium

Bill	Introducer	Short Title	Latest Action	In Date	Out Date
H1073	Lewis	FIRE AND RESCUE PENSION WITHDRAWAL CHANGE.	*HR Ch. SL 2009-365	04-06-09	05-06-09
.160	Wray	FIRE AND RESCUE PENSION FUND ADDITIONS.	*HR Ch. SL 2009-567	05-07-09	06-17-09
H1221	Folwell	DEVELOP EMPLOYEE BENEFITS STATEMENT.	*HR Ch. SL 2009-63	04-22-09	04-29-09
H1365=	Bell	PROVIDE COLAS FOR RETIREES.	H Ref to the Com on Pensions and Retirement, if favorable, Appropriations	04-09-09	
H1379	R. Warren	LOCAL LAW OFFICERS RETURN TO WORK.	H Ref To Com On Pensions and Retirement	04-13-09	
H1507=	Gibson	STATE TREASURER INVESTMENTS.	*H Re-ref Com On Finance	04-15-09	04-30-09
H1601	Mackey	CAREER FIRE AND RESCUE 25-YEAR RETIREMENT.	H Ref to the Com on Pensions and Retirement, if favorable, Appropriations	05-06-09	
H1695	Rapp	REPEAL WAYNESVILLE FIREMEN'S SUPP. PENSION.	HR Ch. SL 2010-43	05-13-10	05-19-10
H1778=	Guice	CHARTER SCHOOL/ RETIREMENT SHP ELECTION.	*H Failed concur in S/Com Sub	06-17-10	06-23-10
H1778=	Guice	CHARTER SCHOOL/ RETIREMENT SHP ELECTION.	*H Failed concur in S/Com Sub	07-06-10	07-07-10
H1934=	M. Alexander	AMEND CHARLOTTE FIREFIGHTERS' RETIREMENT.	*HR Ch. SL 2010-7	05-26-10	06-09-10
H1935=	M. Alexander	MECKLENBURG LAW ENFORCE.CAP UPPED/ STIPEND	*HR Ch. SL 2010-8	05-26-10	06-09-10
H1941=	Randleman	INCREASE WILKESBORO FIREMEN'S PENSION.	H Re-ref Com On Pensions and Retirement	06-16-10	
H1998	Haire	RECIPROCITY FOR ORP SERVICE.	HR Ch. SL 2010-38	05-26-10	06-09-10
\$ H2010	Harrison	DIVESTMENT OF STATE INVESTMENTS IN MASSEY.	H Ref to the Com on Pensions and Retirement, if favorable, Appropriations	05-26-10	
H2019	Blackwell	ELIMINATE GOLDEN PARACHUTES.	H Ref to the Com on Pensions and Retirement, if favorable, Appropriations	05-26-10	
H2054	Tucker	RETIREMENT TECHNICAL CORRECTIONS.	*H Pres. To Gov. 6/ 29/2010	05-27-10	06-10-10
H2055=	England	STATE HEALTH PLAN/	*H Ref To Com On	06-21-10	06-30-10

'\$' indicates the bill is an appropriation bill.

A bold line indicates the bill is an appropriation bill.

'\*' indicates that the text of the original bill was changed by some action.

'=' indicates that the original bill is identical to another bill.

North Carolina General Assembly  
Through House Committee on  
Pensions and Retirement

Date: 07/09/2010  
Time: 10:58  
Page: 003 of 003

2009-2010 Biennium

Leg. Day: H-150/S-147

Bill	Introducer	Short Title	Latest Action	In Date	Out Date
		LOCAL GOVT RETIREE CONTRIBUTION.			
066	Bryant	SPECIAL RETIREMENT ALLOWANCES.	*H Concurr'd In S Amend	06-22-10	06-30-10
H2066	Bryant	SPECIAL RETIREMENT ALLOWANCES.	*H Concurr'd In S Amend	07-08-10	07-08-10
S0133	Tony Rand	REGISTERS OF DEEDS' PENSION.	*HR Ch. SL 2009-576	05-14-09	06-03-09
<b>\$ S0202</b>	<b>Linda Garrou</b>	<b>APPROPRIATIONS ACT OF 2009.</b>	<b>*HR Ch. SL 2009-451</b>	<b>06-09-09</b>	<b>06-10-09</b>
S0204=	William R. Purce	RETIRED NURSES RETURN TO WORK.	HR Ch. SL 2009-137	05-25-09	06-03-09
S0389	Daniel G. Clodfe	HOUSING AUTHORITY RETIREMENT.	*HR Ch. SL 2009-249	06-03-09	06-24-09
S0390=	Fletcher L. Hart	MIDLAND RETIREMENT.	*HR Ch. SL 2009-148	06-03-09	06-17-09
S0411=	Peter S. Brunste	AMEND SURVIVOR'S ALTERNATE BENEFIT.	*HR Ch. SL 2009-109	05-27-09	06-03-09
S0468	Floyd B. McKissi	AUTHORIZE INSURANCE FOR FORMER EMPLOYEES.	*HR Ch. SL 2009-564	05-19-09	06-03-09
S0632=	Martin L. Nesbit	TREASURER'S GOVERNANCE & TRANSPARENCY ACT.	*H Re-ref Com On Finance	05-05-09	06-03-09
S0658	Bob Atwater	MODIFY SUPP. RETIREMENT BOARD/FURLOUGHS.	*HR Ch. SL 2009-378	06-17-09	06-24-09
S0703=	Tony Rand	STATE TREASURER INVESTMENTS.	*HR Ch. SL 2009-98	05-04-09	05-20-09
S0863=	Philip E. Berger	PURCHASE SERVICE/CERTAIN EMPLOYMENT.	*HR Ch. SL 2009-392	05-26-09	06-10-09
S0923	Tony Rand	UTILITIES COMM. MEMBERS/LONGEVITY CHANGES.	H serial referral stricken bill is re-referred to Finance	08-07-09	06-22-10
S0986=	Floyd B. McKissi	CLARIFY LOCAL SPECIAL SEPARATION ALLOWANCE.	*H Re-ref Com On Pensions and Retirement	07-01-09	
S1212	Daniel G. Clodfe	LOCAL GOV'T. OTHER POST-EMPLOYMENT BENEFITS.	H Pres. To Gov. 7/8/2010	06-07-10	06-16-10
S1356=	Steve Goss	INCREASE WILKESBORO FIREMEN'S PENSION.	HR Ch. SL 2010-23	06-22-10	06-23-10
S1386	Don East	GOVERNMENT EMPLOYEES PORT BENEFITS.	*H Re-ref Com On Rules, Calendar, and Operations of the House	06-29-10	06-30-10
S1392=	Floyd B. McKissi	STATE HEALTH PLAN/COURT-ORDERED GUARDIANSHIPS.	H Ratified	07-06-10	07-07-10

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'\*' indicates that the text of the original bill was changed by some action.

'=' indicates that the original bill is identical to another bill.



North Carolina General Assembly  
**House Committee on Pensions & Retirement**

MINUTES

~  
Wednesday, May 19, 2010

The House Committee on Pensions and Retirement met Wednesday, May 25, 2010 at 10:00 a.m. in Room 415 of the Legislative Office Building. The following members were present: Representative Russell Tucker, Chair, Representatives Bell, Holloway, Hurley, McGee, Vice Chairs and Representatives McLawhorn, Ross and Tolson. Staff assisting the committee were Karen Cochrane-Brown, Theresa Matula, and Stanley Moore. Ten visitors attended and a visitor's registration sheet is attached as part of these minutes.

The Chair called the meeting to order and asked the pages and Sergeant-at-Arms to introduce themselves. Pages were Jordan Smith, Mecklenburg County, sponsored by Representative Holliman, Brian Landreth, Guilford County, sponsored by Representative Wiley, Hunter Rinehart, Union County, sponsored by Representative Blackwood, Stephen Ikalowych, Brunswick County, sponsored by Representative Iler and Briana Joyner, Hertford County, sponsored by Representative Mobley. Sergeant-at-Arms were Carlton Adams, Dusty Rhodes, John Brandon and David Shearon.

The bill before the committee was **HB 1695 AN ACT TO REPEAL THE PROVISIONS ESTABLISHING THE WAYNESVILLE FIREMEN'S SUPPLEMENTAL RETIREMENT FUND. (Attachment #1)**. Chairman Tucker recognized Representative Rapp to present the bill. After explaining the bill, Representative Rapp recognized Representative Haire, co-sponsor to comment on the bill. Representative McLawhorn moved to give HB 1695 a favorable report and re-refer to the Committee on Finance. Motion carried.

There being no further business, the meeting adjourned at 11:15 a.m.

Respectfully submitted,

  
Representative Russell Tucker, Chair

  
Sally Gillis, Committee Assistant

# **AGENDA**

## **HOUSE COMMITTEE ON PENSIONS AND RETIREMENT**

**Wednesday, May 19, 2010**

**Room 415 LOB**

**10:00 A.M.**

### **OPENING REMARKS**

**Representative Tucker, Chair**

**HB 1695 REPEAL WAYNESVILLE FIREMEN'S SUPP. PENSION**

**Representative Rapp**

**Representative Haire**

### **ADJOURNMENT**

**NORTH CAROLINA HOUSE OF REPRESENTATIVES  
COMMITTEE MEETING NOTICE  
AND  
BILL SPONSOR NOTIFICATION  
2009-2010 SESSION**

You are hereby notified that the Committee on **Pensions and Retirement** will meet as follows:

**DAY & DATE:** Wednesday, May 19, 2010

**TIME:** 10:00 am

**LOCATION:** 415 LOB

**COMMENTS:**

The following bills will be considered:

<b>BILL NO.</b>	<b>SHORT TITLE</b>	<b>SPONSOR</b>
HB 1695	Repeal Waynesville Firemen's Supp. Pension.	Representative Rapp Representative Haire

Respectfully,  
Representative Tucker, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at  
12 o'clock on **May 18, 2009**.

- ☐ Principal Clerk
- ☐ Reading Clerk – House Chamber

**Sally Gillis** (Committee Assistant)

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

1

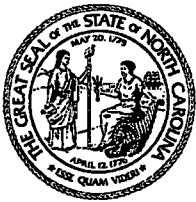
HOUSE BILL 1695

Short Title: Repeal Waynesville Firemen's Supp. Pension. (Local)  
Sponsors: Representatives Rapp and Haire (Primary Sponsors).  
Referred to: Pensions and Retirement, if favorable, Finance.

May 13, 2010

1 A BILL TO BE ENTITLED  
2 AN ACT TO REPEAL THE PROVISIONS ESTABLISHING THE WAYNESVILLE  
3 FIREMEN'S SUPPLEMENTAL RETIREMENT FUND.  
4 The General Assembly of North Carolina enacts:  
5 SECTION 1. Chapter 288 of the 1981 Session Laws is repealed.  
6 SECTION 2. All funds remaining in the Waynesville Firemen's Supplemental  
7 Retirement Fund are transferred to the Board of Trustees of the Local Firemen's Relief Fund of  
8 the Town of Waynesville, to be held and administered as provided in Article 84 of Chapter 58  
9 of the General Statutes.  
10 SECTION 3. This act is effective when it becomes law.





## **HOUSE BILL 1695: Repeal Waynesville Firemen's Supp. Pension**

*2009-2010 General Assembly*

---

<b>Committee:</b>	House Pensions and Retirement, if favorable, Finance	<b>Date:</b>	May 18, 2010
<b>Introduced by:</b>	Reps. Rapp, Haire	<b>Prepared by:</b>	Theresa Matula
<b>Analysis of:</b>	First Edition		Committee Staff

---

**SUMMARY:** *House Bill 1695 repeals the Waynesville Firemen's Supplemental Retirement Fund.*

### **CURRENT LAW:**

Chapter 288 of the 1981 Session Laws created the Waynesville Firemen's Supplemental Retirement Fund.

Article 84 of Chapter 58 requires each county, town, or city receiving benefits under the Article to appoint a local board of trustees for the firemen's relief fund. Pursuant to G.S. 58-84-30, the board is composed of five members, two of whom are elected by the members of the local fire department or departments who are qualified as beneficiaries, two of whom are elected by the mayor and board of aldermen or other local governing body, and one named by the Commissioner of Insurance. The Article also provides for the disbursement of funds by the trustees (G.S. 58-84-35), the requirement to keep account and file certified reports (G.S. 58-84-40), the responsibility to file a certificate of eligibility with the Commissioner of Insurance (G.S. 58-84-46), a prohibition on discrimination (G.S. 58-84-55), and other provisions.

### **BILL ANALYSIS:**

Section 1 of House Bill 1695 repeals the Session Law (S.L. 1981-288) that created the Waynesville Firemen's Supplemental Retirement Fund.

Section 2 requires the funds remaining in the Waynesville Firemen's Supplemental Retirement Fund to be transferred to the Board of Trustees of the Local Firemen's Relief Fund of the Town of Waynesville, to be held and administered as provided in Article 84 of Chapter 58.

Section 3 provides that the House Bill 1695 is effective when it becomes law.

### **BACKGROUND:**

The General Assembly has repealed supplemental firemen's retirement funds in the following municipalities: Burlington (S.L. 2008-49), Whiteville (S.L. 2007-111), Fayetteville (S.L. 2003-34), Lincolnton (S.L. 2002-41), Monroe (S.L. 2001-70), Cary (S.L. 2001-23), Marion (S.L. 2001-21), Morehead City (S.L. 2001-18), Cherryville (S.L. 2000-21), Forest City (S.L. 1999-63), Laurinburg (S.L. 1998-63), Raleigh (S.L. 1997-460) and Hendersonville (S.L. 1995-343).

*H1695-SMSH-158(e1) v2*





# NORTH CAROLINA GENERAL ASSEMBLY

## Legislative Services Office

George R. Hall, Legislative Services Officer

*al Research Division*

N. Salisbury Street, Suite 619

Raleigh, NC 27603-5925

Tel. 919-733-4910 Fax 919-715-3589

*Marilyn Chism, Director*

May 14, 2010

### MEMORANDUM

TO: Representative Ray Rapp

FROM: Stanley Moore *SM*  
Fiscal Research Division

SUBJECT: Actuarial/Fiscal Note on House Bill 1695

Re: Town of Waynesville Firemen's Supplemental Retirement Fund

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial/fiscal note on the above subject as prepared by the General Assembly's Consulting Actuary and this Division.

cc: Rep. Russell Tucker  
House Principal Clerk

Attachment(s):  
Actuarial/Fiscal Note, House Bill 1695, May 14, 2010



**NORTH CAROLINA GENERAL ASSEMBLY**  
**Legislative Services Office**

George R. Hall, Legislative Services Officer

*al Research Division*

*Marilyn Chism, Director*

N. Salisbury Street, Suite 619  
Raleigh, NC 27603-5925  
Tel. 919-733-4910 Fax 919-715-3589

May 14, 2010

Representative Ray Rapp  
Legislative Building, Room 2213  
Raleigh, North Carolina 27603

Re: Actuarial/Fiscal Note for Committee Substitute for House Bill 1695, (Waynesville Firemen's Supplemental Retirement Fund)

Dear Representative Rapp:

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, we hereby submit an Actuarial/Fiscal Note as follows. The Waynesville Firemen's Supplemental Retirement Fund is presently financed by the transfer of all funds belonging to the Local Firemen's Relief Fund in excess of \$40,000 and all investment income derived from the Supplemental Retirement Fund. The Waynesville Firemen's Supplemental Retirement Fund presently provides retirement benefits up to a maximum benefit of \$50.00 per month to those retired firemen, whether volunteer or paid, with 20 years of service as a fireman with the Town of Waynesville.

A reliable estimate of the financial and actuarial effects of the foregoing proposal is as follows. With this repeal of the Waynesville Firemen's Supplemental Retirement Fund, all funds will be transferred from the Waynesville Firemen's Supplemental Retirement Fund back to the Local Firemen's Relief Fund to be used as provided in Article 84 of Chapter 58 of the General Statutes.

Actuarial Endorsement:

*Mark Hartman*  
Mark Hartman  
Consulting Actuary  
Lexington, North Carolina

Sincerely,

*Stanley Moore*  
Stanley Moore  
Fiscal Analyst  
Fiscal Research Division

LOCAL BILL

H.B. 1695

SESSION LAW \_\_\_\_\_

**A BILL TO BE ENTITLED**

AN ACT TO REPEAL THE PROVISIONS ESTABLISHING THE WAYNESVILLE FIREMEN'S SUPPLEMENTAL RETIREMENT FUND.

Introduced by Representative(s): <sup>Rep</sup> *Rapp* *Haire* (Primary Sponsors)


For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

*Principal Clerk's Use Only*

PASSED 1st READING

MAY 13 2010

AND REFERRED TO COMMITTEE  
ON *Planning and Retirement*

*it for Finance*

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT..

---

☐ Committee Substitute for

**HB 1695**                      A BILL TO BE ENTITLED AN ACT TO REPEAL THE PROVISIONS  
ESTABLISHING THE WAYNESVILLE FIREMEN'S SUPPLEMENTAL RETIREMENT FUND.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on  
FINANCE.

**(FOR JOURNAL USE ONLY)**

---

\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ The bill/resolution is re-referred to the Committee on \_\_\_\_\_.

HOUSE PAGES

NAME OF COMMITTEE

Pensions & Retirement

DATE 5.19.2010

1. Name: JORDAN SMITH

County: MCKENZIEBURG

Sponsor: HUGH HOLLIMAN

2. Name: Brian <sup>an</sup> Landreth

County: Guilford

Sponsor: Laura Wiley

3. Name: Hunter <sup>Hart</sup> Rinehart

County: Union

Sponsor: Curtis Blackwood

4. Name: Stephen Ikalowych Ikalowych

County: Brunswick

Sponsor: Frank Iler

5. Name: Briana Jynor

County: Hertford

Sponsor: Rep Mobley

SGT-AT-ARM

1. Name: Carlton Adams

2. Name: Dusty Rhodes

3. Name: John Brandon

4. Name: David Shearon

## VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

MAY 19, 2010

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Mitch Leonard	SEANC
Suzanne Beasley	SEANC
David Starling	NCDST
David Vanderweide	NCDST
David R. Anders	PFFPNC
FulBoni	Boni: Asso.
Lorea Stallord	Deborah Ross
Andrew Lynch	NCLM
Terry Harbst	Judith Harbst
Chuck Adams	SEANC



North Carolina General Assembly  
**House Committee on Pensions & Retirement**

**MINUTES**

~  
Wednesday, June 9, 2010

The House Committee on Pensions and Retirement met Wednesday, June 9, 2010 at 10:00 a.m. in Room 415 of the Legislative Office Building. The following members were present: Representative Russell Tucker, Chair, Representatives Folwell, Hurley & McGee, Vice Chairs and Representatives McLawhorn, Ross and Tolson. Staff assisting the committee were Karen Cochrane-Brown, Theresa Matula, and Stanley Moore. Eighteen visitors attended and a visitor's registration sheet is attached as part of these minutes.

Representative Tucker, Chair asked the Pages to introduce themselves. They were Brooke Conrad, Gaston County, sponsored by Representative Current, Haley Welsel, Wilkes County, sponsored by Representative Randleman and Morgan McCullers, Wake County, sponsored by Representative Gill. Sergeant-at-Arms assisting the committee were Reggie Sills, Marvin Lee and Bill Bass.

The Chair recognized Representative Alexander to present **HB 1934 A BILL TO BE ENTITLED AN ACT TO AMEND THE LAW ESTABLISHING THE CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM TO MAKE THE MINIMUM DEATH BENEFIT AVAILABLE WITH RESPECT TO ALL RETIREES OF THE SYSTEM. (Attachment #1).** A PCS was presented and Rep. Tolson moved to adopt it for consideration. Motion carried. Questions and discussion followed. Representative Tolson made a motion to give the PCS a favorable report, unfavorable to the original. Motion carried.

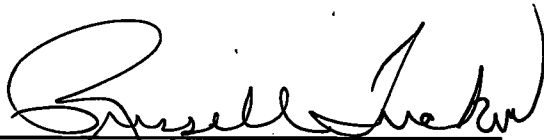
Representative Alexander remained on the floor to present **HB 1935 A BILL TO BE ENTITLED AN ACT TO RAISE THE CEILING FOR BENEFITS UNDER THE EMERGENCY PENSION FUND FOR SWORN LAW ENFORCEMENT OFFICERS OF MECKLENBURG COUNTY. (Attachment #2).** A PCS was presented and Representative McLawhorn moved to approve the PCS to be heard. Motion carried. After explaining the bill, a motion was made by Representative Ross to give the PCS a favorable report, unfavorable to the original. Motion carried.

Representative Haire was called on to present HB 1998 A BILL TO BE ENTITLED AN ACT TO AUTHORIZE RECIPROCITY FOR SERVICE IN THE OPTINAL RETIREMENT PROGRAM FOR MEMBERS OF THE TEACHERS AND STATE EMPLOYEES RETIREMENT SYSTEM. (Attachment #3). A motion by Representative Ross was made for a favorable report and re-refer to the Committee on Appropriations. Motion passed.

Representative Tucker, Chair asked Representative McGee, Vice Chair to preside while he presented his bill HB 2054 A BILL TO BE ENTITLED AN ACT TO MAKE TECHNICAL CORRECTIONS TO THE STATUTES GOVERNING THE TEACHERS' AND STATE EMPLOYEES RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM. (Attachment #4). Representative Tolson moved to adopt a PCS-for consideration. Motion carried. Representative Tucker asked Staff to help explain the bill. Representative McLawhorn made a motion to give the PCS a favorable report, unfavorable to the original bill.

There being no further business, the meeting adjourned at 10:30 a.m.

Respectfully submitted,

  
Representative Russell Tucker, Chair

  
Sally Gillis, Committee Assistant



# **AGENDA**

## **HOUSE COMMITTEE ON PENSIONS AND RETIREMENT**

**Wednesday, June 9, 2010**

**Room 415 LOB**

**10:00 A.M.**

### **OPENING REMARKS**

**Representative Tucker, Chair**

**HB 1934    Amend Charlotte Firefighters'  
Retirement**

**Representative Alexander**

**HB 1935    Mecklenburg Law Enforcement  
Benefit Cap Upped.**

**Representative Alexander**

**HB 1998    Reciprocity For ORP Service**

**Representative Haire**

**HB 2054    Retirement Technical Corrections**

**Representative Tucker**

### **ADJOURNMENT**

**NORTH CAROLINA HOUSE OF REPRESENTATIVES  
COMMITTEE MEETING NOTICE  
AND  
BILL SPONSOR NOTIFICATION  
2009-2010 SESSION**

You are hereby notified that the Committee on **Pensions and Retirement** will meet as follows:

**DAY & DATE:** Wednesday, June 9, 2010

**TIME:** 10:00 am

**LOCATION:** 415 LOB

**COMMENTS:**

The following bills will be considered:

<b>BILL NO.</b>	<b>SHORT TITLE</b>	<b>SPONSOR</b>
HB 1934	Amend Charlotte Firefighters' Retirement.	Representative Martha B. Alexander
HB 1935	Mecklenburg Law Enforcement Benefit Cap Upped.	Representative Martha B. Alexander
HB 1998	Reciprocity for ORP Service.	Representative Haire
HB 2054	Retirement Technical Corrections.	Representative Tucker

Respectfully,  
Representative Tucker, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at **11:00 a.m. on June 03, 2010.**

- ☐ Principal Clerk  
☐ Reading Clerk – House Chamber

**Sally Gillis** (Committee Assistant)

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

H

1

**HOUSE BILL 1934**

Short Title: Amend Charlotte Firefighters' Retirement. (Local)

Sponsors: Representatives M. Alexander; K. Alexander, Carney, Cotham, Earle, Gulley, Hughes, Killian, Mackey, Samuelson, and Tillis.

Referred to: Local Government I, if favorable, Pensions and Retirement.

May 25, 2010

A BILL TO BE ENTITLED

AN ACT TO AMEND THE LAW ESTABLISHING THE CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM TO MAKE THE MINIMUM DEATH BENEFIT AVAILABLE WITH RESPECT TO ALL RETIREES OF THE SYSTEM.

The General Assembly of North Carolina enacts:

**SECTION 1.** Section 21 of Chapter 926 of the 1947 Session Laws, as rewritten by Section 1 of Chapter 830 of the 1991 Session Laws, as amended by S.L. 1999-100 and S.L. 2001-22, reads as rewritten:

"Sec. 21. Death Benefits.

(a) In the event of the death of any Member of the System prior to his effective date of retirement pursuant to the provisions of Sections 15, 16, 18, 19, or 20 of this act, his Designated Beneficiary(s) on file with the Retirement System, or his personal representative in the absence of any Designated Beneficiary, shall be entitled to reimbursement of the Total Contributions by him or on his behalf and contributions by the City of Charlotte to the System on his behalf; plus, interest compounded annually at the rate of four percent (4%) per year on the contribution balance at the beginning of each Plan Year in which the Participant contributed or in which contributions were made on his behalf. The Board of Trustees has the right to set a different interest rate from time to time. Interest shall not apply to death benefits occurring before July 1, 1986. Such Beneficiary(s) or personal representative must complete and file the form 'Application for Survivor Death Benefits' with the Administrator to receive reimbursement. As an option, a Beneficiary may elect to receive an annuity equal to and in lieu of a lump sum distribution by so designating on the above form. Effective July 1, 1989, as an option, a surviving spouse of a deceased Member who was eligible for a service or early retirement benefit on the date preceding death may elect to receive an Actuarial Equivalent computed as of the date preceding death in the same manner as if the deceased member had retired and elected a reduced monthly amount payable throughout his life, and nominated the surviving spouse as his beneficiary in accordance with the provisions of Option 4, Sixty-Six and Two-Thirds Percent (66 2/3%) Joint and Survivor benefit, as set forth in subsection (f) of Section 17. The Actuarial Equivalent for all benefits payable pursuant to this section shall be computed in accordance with the Unisex Mortality Table for 1984 set forward one year in age, with interest at six percent (6%).

(b) In the event of the death of a Retiree of this System ~~before he has received monthly receiving basic benefit payments~~ payments, or the last to die of the Retiree and Beneficiary receiving an optional form of benefit payment in accordance with Section 17, and before the Retiree (or Retiree and Beneficiary, in the case of an optional form of benefit) has received monthly benefit payments equal to the present value on the effective date of retirement of the

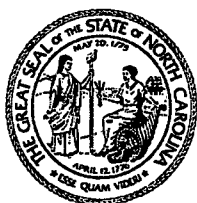


\* H 1 9 3 4 - V - 1 \*

1 Total Contributions ~~by him or on his behalf and contributions~~ to the System by the Retiree and  
2 by the City of Charlotte ~~to the System on his behalf; plus, behalf of the Retiree, plus~~ interest  
3 compounded annually at the rate applicable to subsection (a) of this section on the contribution  
4 balance at the beginning of each Plan Year in which the ~~Participant~~ Retiree contributed or in  
5 which contributions were made on ~~his behalf of the Retiree, and provided a monthly benefit is~~  
6 ~~not payable in accordance with Section 17,~~ the Designated Beneficiary(s) Beneficiary(s), if any,  
7 or estate of the ~~retiree~~ Retiree (or estate of the Beneficiary, in the case of an optional form of  
8 benefit) shall be entitled to an amount equal to the difference between such contributions, plus  
9 interest, and the sum of the monthly benefit payments received by the ~~retiree~~ Retiree (or Retiree  
10 and Beneficiary, in the case of an optional form of benefit). However, interest shall not apply to  
11 death benefits occurring before July 1, 1986. Such Beneficiary(s) or personal representative  
12 must complete and file the form 'Application for Survivor Death Benefits' with the  
13 Administrator to receive reimbursement."

14 SECTION 2. This act applies only to the City of Charlotte.

15 SECTION 3. This act becomes effective July 1, 2010.



## HOUSE BILL 1934: Amend Charlotte Firefighters' Retirement

2009-2010 General Assembly

**Committee:** House Pensions and Retirement  
**Introduced by:** Rep. M. Alexander  
**Analysis of:** PCS to First Edition  
H1934-CSSH-75

**Date:** June 7, 2010  
**Prepared by:** Theresa Matula  
Committee Staff

**SUMMARY:** *House Bill 1934 allows the Charlotte Firefighters' Retirement System death benefit to be available to all retirees of the system.*

*The Proposed Committee Substitute makes only technical changes to amend the Session Laws cited and to engross a change that has already been enacted.*

[As introduced, this bill was identical to S1336, as introduced by Sen. Graham, which is currently in Senate Pensions & Retirement & Aging.]

### BILL ANALYSIS:

The Charlotte Firemen's Retirement System was established by Chapter 926 of the 1947 Session Laws and has been amended numerous times. Section 21 of the Charlotte Firefighters' Retirement System law pertains to death benefits.

House Bill 1934 amends Section 21(b) so that when a retiree of the Charlotte Firefighters' Retirement System dies while receiving basic benefit payments

*Or*

the last to die of the retiree and beneficiary receiving an options form of benefit payment in accordance with Section 17 (the service retirement benefits and option elections)

*And*

before the retiree (or retiree and beneficiary, in the case of an optional form of benefit) has received monthly benefit payments equal to the present value (on the effective date of retirement) of the Total Contributions to the System by the retiree and the City of Charlotte on behalf of the retiree, plus interest

*Then*

the designated beneficiary(s), or estate of the retiree (or estate of the beneficiary, in the case of an optional form of benefit) is entitled to an amount equal to the difference between the contributions, plus interest and the sum of the monthly benefit payments received by the retiree (or retiree and beneficiary, in the case of an optional form of benefit).

(The Proposed Committee Substitute for House Bill 1934 makes only technical changes to amend the Session Laws cited and to engross a change that has already been enacted.)

### EFFECTIVE DATE:

House Bill 1934 applies only to the City of Charlotte and becomes effective July 1, 2010.

H1934-SMSH-176(CSSH-75) v1

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

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HOUSE BILL 1934  
PROPOSED COMMITTEE SUBSTITUTE H1934-CSSH-75 [v.2]

6/7/2010 7:15:55 PM

Short Title: Amend Charlotte Firefighters' Retirement.

(Local)

Sponsors:

Referred to:

May 25, 2010

A BILL TO BE ENTITLED

AN ACT TO AMEND THE LAW ESTABLISHING THE CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM TO MAKE THE MINIMUM DEATH BENEFIT AVAILABLE WITH RESPECT TO ALL RETIREES OF THE SYSTEM.

The General Assembly of North Carolina enacts:

**SECTION 1.** Section 21 of Chapter 926 of the 1947 Session Laws, as amended by Chapter 506 of the 1987 Session Laws, as amended by Chapter 1033 of the 1987 Session Laws, as amended by Chapter 248 of the 1989 Session Laws, as amended by Chapter 830 of the 1991 Session Laws, as amended by S.L. 1999-100, as amended by S.L. 2001-22, reads as rewritten:

**"Sec. 21. Death Benefits.**

(a) In the event of the death of any Member of the System prior to his effective date of retirement pursuant to the provisions of Sections 15, 16, 18, 19, or 20 of this act, his Designated Beneficiary(s) on file with the Retirement System, or his personal representative in the absence of any Designated Beneficiary, shall be entitled to reimbursement of the Total Contributions by him or on his behalf and contributions by the City of Charlotte to the System on his behalf; plus, interest compounded annually at the rate of four percent (4%) per year on the contribution balance at the beginning of each Plan Year in which the Participant contributed or in which contributions were made on his behalf. The Board of Trustees has the right to set a different interest rate from time to time. Interest shall not apply to death benefits occurring before July 1, 1986. Such Beneficiary(s) or personal representative must complete and file the form 'Application for Survivor Death Benefits' with the Administrator to receive reimbursement. As an option, a Beneficiary may elect to receive an annuity equal to and in lieu of a lump sum distribution by so designating on the above form. Effective July 1, 1989, as an option, a surviving spouse of a deceased Member who was eligible for a service or early retirement benefit on the date preceding death may elect to receive an Actuarial Equivalent computed as of the date preceding death in the same manner as if the deceased member had retired and elected a reduced monthly amount payable throughout his life, and nominated the surviving spouse as his beneficiary in accordance with the provisions of Option 4, Sixty-Six and Two-Thirds Percent (66 2/3%) Joint and Survivor benefit, as set forth in subsection (f) of Section 17. The Actuarial Equivalent for all benefits payable pursuant to this section shall be computed in accordance with the Unisex Mortality Table for 1984 set forward one year in age, with interest at six percent (6%).

(b) In the event of the death of a Retiree of this System ~~before he has received monthly receiving basic benefit payments~~ payments, or the last to die of the Retiree and Beneficiary



\* H 1 9 3 4 - C S S H - 7 5 - V - 2 \*

1 receiving an optional form of benefit payment in accordance with Section 17, and before the  
2 Retiree (or Retiree and Beneficiary, in the case of an optional form of benefit) has received  
3 monthly benefit payments equal to the present value on the effective date of retirement of the  
4 Total Contributions by him or on his behalf and contributions to the System by the Retiree and  
5 by the City of Charlotte to the System on his behalf, plus, behalf of the Retiree, plus interest  
6 compounded annually at the rate applicable to subsection (a) of this section on the contribution  
7 balance at the beginning of each Plan Year in which the Participant Retiree contributed or in  
8 which contributions were made on his behalf of the Retiree, and provided a monthly benefit is  
9 not payable in accordance with Section 17, the Designated Beneficiary(s) Beneficiary(s), if any,  
10 or estate of the retiree Retiree (or estate of the Beneficiary, in the case of an optional form of  
11 benefit) shall be entitled to an amount equal to the difference between such contributions, plus  
12 interest, and the sum of the monthly benefit payments received by the retiree Retiree (or Retiree  
13 and Beneficiary, in the case of an optional form of benefit). However, interest shall not apply to  
14 death benefits occurring before July 1, 1986. Such Beneficiary(s) or personal representative  
15 must complete and file the form 'Application for Survivor Death Benefits' with the  
16 Administrator to receive reimbursement."

17 **SECTION 2.** This act applies only to the City of Charlotte.

18 **SECTION 3.** This act becomes effective July 1, 2010.



**NORTH CAROLINA GENERAL ASSEMBLY**  
**Legislative Services Office**

George R. Hall, Legislative Services Officer

*Research Division*  
300 N. Salisbury Street, Suite 619  
Raleigh, NC 27603-5925  
Tel. 919-733-4910 Fax 919-715-3589

*Maribyn Chism*  
Director

May 25, 2010

**MEMORANDUM**

TO: Representative Martha Alexander

FROM: Stanley Moore *SM*  
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 1934

Re: Charlotte Firefighters' Retirement System

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Representative Russell Tucker  
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Cavanaugh Macdonald
- (3) Actuarial Note. Hartman & Associates



# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 1934 (First Edition)  
**SHORT TITLE:** Amend Charlotte Firefighters' Retirement.  
**SPONSOR(S):** Representative M. Alexander

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**FUNDS AFFECTED:** City of Charlotte

**SYSTEM OR PROGRAM AFFECTED:** Charlotte Firefighters' Retirement System

**EFFECTIVE DATE:** July 1, 2010

**BILL SUMMARY:** The present law provides a payment of any remaining contributions made by the member and the City of Charlotte plus 4% accrued interest to the designated beneficiary for the return of contributions after the death of a retiree. This benefit is payable only when the retiree chooses the basis benefit and no lifetime benefits are payable to the spouse after the death of the retired member. If a member selects a joint & survivorship option and both the retiree and beneficiary die before receiving the total contributions made by the member and the City of Charlotte plus 4% accrued interest, no remaining benefits are payable.

**This bill will allow for the payment of any remaining contributions made by the member and the City of Charlotte plus 4% accrued interest to the designated beneficiary for the return of contributions after the death of a retiree and beneficiary (in the case of an optional form of payment).**

**ESTIMATED IMPACT ON CITY OF CHARLOTTE:** Both, Cavanaugh Macdonald Consulting, the Charlotte Firefighters' Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost would be negligible due to the low probability of both deaths occurring before payments equaled the total amount of accumulated contributions and interest.

**ASSUMPTIONS AND METHODOLOGY: Charlotte Firefighter's Retirement System**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the July 1, 2009 actuarial valuation of the System. The data included 991 active members with an annual payroll of \$56.9 million, 477 retired members and beneficiaries in receipt of annual pensions totaling \$18.5 million, actuarial value of assets equal to \$360 million, market value of assets equal to \$272 million and an unfunded accrued liability of \$16 million. Significant actuarial assumptions used include (a) an investment return rate of 7.75%, (b) salary increase rates of 4.75% to 7.75%, (c) inflation of 3.75%, (d) UP 1994 Male Tables Mortality Tables, (e) 100% of active members are assumed to

be married with the male three years older than spouse and (f) rates of withdrawal and disability were selected by the Actuary and adopted by the Board of Trustees in 2004. The actuarial cost method used was the entry age normal cost method and the amortization period is thirty years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** Cavanaugh Macdonald Consulting  
Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910. The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**PREPARED BY:** Stanley Moore

**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division

**DATE:** May 24, 2010

**Signed Copy Located in the NCGA Principal Clerk's Offices**



## Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

February 23, 2010

Ms. Barbara J. Avar  
Administrator  
Charlotte Firefighters' Retirement System  
Charlotte National Building  
428 East Fourth Street, Suite 205  
Charlotte, NC 28202

**Proposed Amendment to Retirement System Act**

Dear Barbara:

We have reviewed the proposed amendment to Section 21(b) of the Charlotte Firefighters' Retirement System Act to be submitted to the North Carolina Legislature this year. The amendment would extend the Minimum Death Benefit to Retirees electing benefits in an optional form, to be payable in the event that both the retiree and the beneficiary die before receiving monthly benefit payments equal to the present value on the date of retirement of the Total Contributions to the System by the Retiree and by the City of Charlotte on behalf of the Retiree. We have determined that the impact of the proposed amendment on the Retirement System would be negligible and would not require an increase in the contribution rate of either the members or the City of Charlotte.

Sincerely,

Edward A. Macdonald, ASA, FCA, MAAA  
President

EM:ct

S:\Charlotte Firefighters Retirement System\2010 Correspondence\Proposed Amendment.doc

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144

Phone (678) 388-1700 • Fax (678) 388-1730

[www.CavMacConsulting.com](http://www.CavMacConsulting.com)

Offices in Englewood, CO • Kennesaw, GA • Hilton Head Island, SC

# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038  
Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

May 24, 2010

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: House Bill 1934/Senate Bill 1336: An Act to Amend the Law Establishing the Charlotte Firefighters' Retirement System to Make the Minimum Death Benefit Available to All Retirees of the System

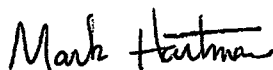
Dear Mr. Moore:

These bills amends Section 21 of Chapter 926 of the 1947 Session Laws, as amended, to modify the death benefit provision for retirees of the Charlotte Firefighters' Retirement System. Currently, the System provides a minimum death benefit for retirees. If a retiree dies prior to receiving monthly benefits equal to the accumulated value of contributions to the System by him and on his behalf by the City, and no survivor benefit is payable, the difference is paid to his beneficiary or estate. This bill would provide the same minimum death benefit upon the death of the last to die of the retiree and beneficiary if they were receiving an optional joint and survivor payment form. This act is effective July 1, 2010.

This bill will increase the death benefit for joint and survivor payment options upon early deaths of both beneficiaries, creating a cost to the System. I analyzed the cost based on data and actuarial assumptions from the Comprehensive Annual Financial Report of the Charlotte Firefighters' Retirement System as of June 30, 2008. Due to the low probability of both deaths occurring before payments equal the accumulated contributions, the cost to the System is not expected to be material.

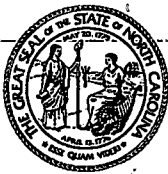
If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt



# NORTH CAROLINA GENERAL ASSEMBLY

## Legislative Services Office

George R. Hall, Legislative Services Officer

*cal Research Division*  
500 N. Salisbury Street, Suite 619  
Raleigh, NC 27603-5925  
Tel. 919-733-4910 Fax 919-715-3589

*Marilyn Chism*  
Director

May 25, 2010

### **MEMORANDUM**

TO: Representative Martha Alexander

FROM: Stanley Moore *SM*  
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 1935

Re: Emergency Pension Fund for Sworn Law Enforcement Officers of Mecklenburg County

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Representative Russell Tucker  
House Principal Clerk

#### Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note. Hartman & Associates

# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

## Legislative Actuarial Note

### RETIREMENT

**BILL NUMBER:** House Bill 1935 (First Edition)

**SHORT TITLE:** Mecklenburg Law Enforcement Benefit Cap Upped.

**SPONSOR(S):** Representative M. Alexander

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**FUNDS AFFECTED:** Funds in the Emergency Pension Fund for Sworn Law Enforcement Officers of Mecklenburg County

**SYSTEM OR PROGRAM AFFECTED:** Emergency Pension Fund for Sworn Law Enforcement Officers of Mecklenburg County

**EFFECTIVE DATE:** When it becomes law

**BILL SUMMARY:** Increases the payment from \$10,000 to \$25,000 in the event a law enforcement officer in Mecklenburg County is killed in the line-of-duty or is permanently and totally disabled in the line-of-duty. If the law enforcement officer is temporarily and totally disabled in the line-of-duty, they shall receive a disability supplement of \$500 per month up to a maximum of \$25,000 up from \$10,000. The bill increases the maximum college scholarship from \$10,000 to \$25,000 for children of a law enforcement officer in Mecklenburg County killed in the line-of-duty or permanently and totally disabled in the line-of-duty. The bill also provides for an annual \$100 stipend for minor children of an officer killed in the line of duty until the child reaches 18 years of age.

Deletes provision allowing an increase in the maximum lump sum payments paid to the investment firm managing the fund, by up to 10% once every five years.

**ESTIMATED IMPACT ON FUND:** Hartman & Associates, the General Assembly's actuary, does not expect this bill to adversely impact the Fund. Any change in benefits is expected to be covered by the investment income to the Fund.

**ASSUMPTIONS AND METHODOLOGY:** There are approximately 2,500 law enforcement officers in Mecklenburg and the current balance of the Fund exceeds \$2,000,000.

**SOURCES OF DATA:** City of Charlotte

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910

**PREPARED BY:** Stanley Moore

**APPROVED BY:**

Marilyn Chism, Director  
Fiscal Research Division

**DATE:** May 25, 2010

**Signed Copy Located in the NCGA Principal Clerk's Offices**

# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038  
Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

May 25, 2010

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: House Bill 1935: An Act to Raise the Ceiling for Benefits Under the Emergency Pension Fund for Sworn Law Enforcement Officers of Mecklenburg County

Dear Mr. Moore:

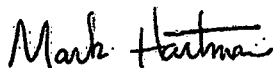
This bill amends Sections 2, 5 and 6 of Chapter 446 of the Public-Local Laws of 1931, as amended, to increase the death and disability benefits for sworn law enforcement officers in Mecklenburg County. Currently, the Fund provides a \$10,000 benefit for officers killed or permanently disabled while in the actual performance of the officer's duties. If an officer is temporarily and totally disabled while in the line of duty, the Fund provides a benefit of \$500 per month to a maximum of \$10,000. The Board of the Fund may also award college scholarships to children of an officer killed or permanently disabled in the line of duty up to a maximum of \$10,000.

This bill increases the \$10,000 benefit amounts provided under the Fund to \$25,000. The bill also provides an annual \$100 stipend to each minor child of an officer killed in the line of duty. This act is effective when it becomes law.

I reviewed the prior experience for members covered by this Fund as well as experience under the Law Enforcement Officers', Firemen's, Rescue Squad Workers', and Civil Air Patrol Members' Death Benefits Act. Based on this data, an estimate of 2,500 officers covered by the Fund, and current assets in the Fund exceeding \$2,000,000, I do not expect this act to adversely impact the Fund. Projected benefits from the Fund are expected to be covered by the Fund's investment income.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt



**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☐ Committee Substitute for

**HB 1934**                    A BILL TO BE ENTITLED AN ACT TO AMEND THE LAW  
ESTABLISHING THE CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM TO MAKE THE  
MINIMUM DEATH BENEFIT AVAILABLE WITH RESPECT TO ALL RETIREES OF THE  
SYSTEM.

☒ With a favorable report as to the committee substitute bill, unfavorable as to the original bill.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution  
(No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_) is placed  
on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the  
Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint)  
resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

H

1

**HOUSE BILL 1935**

Short Title: Mecklenburg Law Enforcement Benefit Cap Upped. (Local)

Sponsors: Representatives M. Alexander; K. Alexander, Carney, Cotham, Earle, Gulley, Jackson, Killian, Mackey, Samuelson, and Tillis.

Referred to: Local Government I, if favorable, Pensions and Retirement.

May 25, 2010

A BILL TO BE ENTITLED  
AN ACT TO RAISE THE CEILING FOR BENEFITS UNDER THE EMERGENCY  
PENSION FUND FOR SWORN LAW ENFORCEMENT OFFICERS OF  
MECKLENBURG COUNTY.

The General Assembly of North Carolina enacts:

**SECTION 1.** Sections 2, 5, and 6 of Chapter 446 of the Public-Local Laws of 1931, as amended by Section 28.26 of Chapter 18 of the Session Laws of the 1996 Second Extra Session, and as rewritten by S.L. 2003-323, read as rewritten:

"Sec. 2. "Law enforcement officers" shall be deemed to include all State-certified sworn peace officers employed ~~in~~ by any city, county, or town law enforcement agency in Mecklenburg County who are required by the terms of their employment to give their full time to the enforcement of laws, the protection of life and property, and the detection and prevention of crime. "Law enforcement officers" shall also be deemed to include any reserve officer of an agency ~~of~~ in Mecklenburg County and any detention officer employed by the Sheriff of Mecklenburg County.

"Sec. 5. The funds accumulated under this act shall be known as "The Emergency Pension Fund for Sworn Law Enforcement Officers of Mecklenburg County", and shall be used as a fund for all law enforcement officers, as defined in Section 2 of this act, and their families, under the following terms and conditions:

- (1) If a law enforcement officer is killed while in the actual performance of the officer's duties, then the Board may pay from the Fund the amount of ~~ten thousand dollars (\$10,000)~~ twenty-five thousand dollars (\$25,000) as a death benefit to the surviving spouse of the deceased officer. If the law enforcement officer is not married at the time of death, the Board may pay the death benefit to the nearest dependent next of kin of the deceased.
- (2) If the law enforcement officer is permanently and totally physically disabled due to a physical injury received in the actual performance of the officer's duties, then the Board may pay from the Fund to the law enforcement officer the amount of ~~ten thousand dollars (\$10,000)~~ twenty-five thousand dollars (\$25,000). In the event the law enforcement officer is temporarily and totally physically disabled due to a physical injury received in the performance of the officer's duties, then the Board may pay from the Fund to the law enforcement officer a disability supplement of five hundred dollars (\$500.00) a month during the time that the officer is temporarily and totally disabled up to a maximum of ~~ten thousand dollars (\$10,000)~~ twenty-five thousand dollars (\$25,000). In any event, a temporarily or permanently

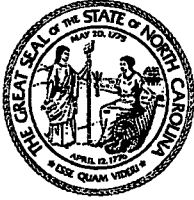


1 physically disabled law enforcement officer shall not receive more than ten  
2 ~~thousand dollars (\$10,000).~~ twenty-five thousand dollars (\$25,000).

- 3 (3) If a law enforcement officer is killed while in the actual performance of the  
4 officer's duties or is permanently and totally disabled, then the Board may  
5 award college scholarships to the officer's children up to a maximum amount  
6 of ~~ten thousand dollars (\$10,000).~~ twenty-five thousand dollars (\$25,000).  
7 Such scholarships may be awarded if the child is between the ages of 17 and  
8 22 and has been accepted or is attending a fully accredited college or  
9 university. In the event a law enforcement officer is killed in the line of duty  
10 and that officer is the parent or legal guardian of minor children, then each  
11 minor child shall receive a one hundred dollar (\$100.00) stipend each year  
12 on the anniversary of the officer's death until the minor child reaches 18  
13 years of age.

14 "Sec. 6. The Board created under the provisions of this act shall serve without  
15 compensation. The Secretary and Treasurer of said Board shall receive such compensation as  
16 may be provided by the Board not to exceed the sum of fifty dollars (\$50.00) per month, and  
17 the said Board shall have full power and authority to pay all expenses for administering this act  
18 including the purchase of supplies, legal advice, etc., out of the fund provided for herein. The  
19 Board shall have authority to make such rules, regulations, and provisions as may be necessary  
20 to the proper administration of this act. The Board may retain an investment firm to manage the  
21 ~~Fund and upon a unanimous vote of the Board may increase the amount of the maximum lump~~  
22 ~~sum payments by up to ten percent (10%) once every five years.~~ Fund."

23 **SECTION 2.** This act is effective when it becomes law.



2009-2010 General Assembly

## HOUSE BILL 1935: Mecklenburg Law Enforcement Benefit Cap Upped

**Committee:** House Pensions and Retirement  
**Introduced by:** Rep. M. Alexander  
**Analysis of:** PCS to First Edition  
H1935-CSSH-76

**Date:** June 8, 2010  
**Prepared by:** Theresa Matula  
Committee Staff

**SUMMARY:** *House Bill 1935 amends The Emergency Pension Fund for Sworn Law Enforcement Officers of Mecklenburg County by raising the ceiling from \$10,000 to \$25,000 on the amount that may be awarded when law enforcement officers are killed or physically disabled and amends the benefits to add an annual \$100 stipend to be paid to minor children of an officer that is killed.*

*The Proposed Committee Substitute makes technical changes by amending the short and long titles to reflect the stipend in the original bill and moves the stipend to a separate subsection in the law.*

[As introduced, this bill was identical to S1402, as introduced by Sen. Graham, which is currently in Senate Pensions & Retirement & Aging.]

**CURRENT LAW:** S.L. 1931-446 created The Emergency and Pension Fund of Mecklenburg County which applies to all law enforcement officers not otherwise exempt. The Fund is for officers killed or permanently injured while in the actual discharge of official duties if they registered with the Officers Relief Board.

**BILL ANALYSIS:** House Bill 1935 amends "The Emergency Pension Fund of the County of Mecklenburg" contained in Chapter 446 of the Public-Local Laws of 1931, as amended by Section 28.26 of Chapter 18 of the 1996 Second Extra Session, as rewritten by S.L. 2003-323.

The bill increases from \$10,000 to \$25,000 the maximum amount:

- Paid to the spouse or next of kin of a law enforcement officer killed in the performance of duties.
- Paid to a law enforcement officer who is permanently and totally physically disabled due to a physical injury received in the actual performance of the officer's duties.
- Paid to a law enforcement officer that is temporarily and totally physically disabled due to physical injury received in the performance of the officer's duties. This is paid at the rate of \$500 per month.
- That a law enforcement officer can receive if the officer is temporarily or permanently disabled.
- Awarded in college scholarships to the officer's children between the ages of 17 and 22 if a law enforcement officer is killed while in the actual performance of the officer's duties or is permanently and totally disabled.

The bill also adds a new benefit which awards a \$100 annual stipend to each minor child of a law enforcement officer that is killed while in the actual performance of the officer's duties. The stipend is awarded each year on the anniversary of the officer's death until the minor child reaches 18 years of age. (The PCS moves this provision to a separate subsection.)

Additionally, the bill deletes the requirement that the Board have a unanimous vote to increase the amount of the maximum lump sum payments by up to 10% once every five years.

The bill would become effective when it becomes law.

H1935-SMSH-178(CSSH-76) v3

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

**H**

**D**

**HOUSE BILL 1935  
PROPOSED COMMITTEE SUBSTITUTE H1935-CSSH-76 [v.3]**

6/8/2010 11:50:54 AM

Short Title:   Mecklenburg Law Enforce. Cap Upped/Stipend.

(Local)

Sponsors:

Referred to:

May 25, 2010

- 1                                   A BILL TO BE ENTITLED  
2   AN ACT TO RAISE THE CEILING FOR BENEFITS AND TO ADD A STIPEND FOR  
3   MINOR CHILDREN UNDER THE EMERGENCY PENSION FUND FOR SWORN  
4   LAW ENFORCEMENT OFFICERS OF MECKLENBURG COUNTY.  
5   The General Assembly of North Carolina enacts:  
6       **SECTION 1.** Sections 2, 5, and 6 of Chapter 446 of the Public-Local Laws of  
7   1931, as amended by Section 28.26 of Chapter 18 of the Session Laws of the 1996 Second  
8   Extra Session, and as rewritten by S.L. 2003-323, read as rewritten:  
9       "Sec. 2. "Law enforcement officers" shall be deemed to include all State-certified sworn  
10   peace officers employed ~~in~~ by any city, county, or town law enforcement agency in  
11   Mecklenburg County who are required by the terms of their employment to give their full time  
12   to the enforcement of laws, the protection of life and property, and the detection and  
13   prevention of crime. "Law enforcement officers" shall also be deemed to include any reserve  
14   officer of an agency ~~of~~ in Mecklenburg County and any detention officer employed by the  
15   Sheriff of Mecklenburg County.  
16       "Sec. 5. The funds accumulated under this act shall be known as "The Emergency Pension  
17   Fund for Sworn Law Enforcement Officers of Mecklenburg County", and shall be used as a  
18   fund for all law enforcement officers, as defined in Section 2 of this act, and their families,  
19   under the following terms and conditions:  
20       (1)   If a law enforcement officer is killed while in the actual performance of the  
21       officer's duties, then the Board may pay from the Fund the amount of ~~ten~~  
22       ~~thousand dollars (\$10,000)~~ twenty-five thousand dollars (\$25,000) as a  
23       death benefit to the surviving spouse of the deceased officer. If the law  
24       enforcement officer is not married at the time of death, the Board may pay  
25       the death benefit to the nearest dependent next of kin of the deceased.  
26       (2)   If the law enforcement officer is permanently and totally physically disabled  
27       due to a physical injury received in the actual performance of the officer's  
28       duties, then the Board may pay from the Fund to the law enforcement officer  
29       the amount of ~~ten thousand dollars (\$10,000)~~ twenty-five thousand dollars  
30       (\$25,000). In the event the law enforcement officer is temporarily and totally  
31       physically disabled due to a physical injury received in the performance of  
32       the officer's duties, then the Board may pay from the Fund to the law  
33       enforcement officer a disability supplement of five hundred dollars  
34       (\$500.00) a month during the time that the officer is temporarily and totally

1 disabled up to a maximum of ~~ten thousand dollars (\$10,000)~~ twenty-five  
2 thousand dollars (\$25,000). In any event, a temporarily or permanently  
3 physically disabled law enforcement officer shall not receive more than ten  
4 thousand dollars (\$10,000) ~~twenty-five thousand dollars (\$25,000)~~.

5 (3) If a law enforcement officer is killed while in the actual performance of the  
6 officer's duties or is permanently and totally disabled, then the Board may  
7 award college scholarships to the officer's children up to a maximum amount  
8 of ~~ten thousand dollars (\$10,000)~~ twenty-five thousand dollars (\$25,000).  
9 Such scholarships may be awarded if the child is between the ages of 17 and  
10 22 and has been accepted or is attending a fully accredited college or  
11 university.

12 (4) If a law enforcement officer is killed while in the actual performance of the  
13 officer's duties, and that officer is the parent or legal guardian of a minor  
14 child, then the Board may pay a one hundred dollar (\$100.00) stipend each  
15 year on the anniversary of the officer's death to each minor child until each  
16 minor child reaches 18 years of age.

17 "Sec. 6. The Board created under the provisions of this act shall serve without  
18 compensation. The Secretary and Treasurer of said Board shall receive such compensation as  
19 may be provided by the Board not to exceed the sum of fifty dollars (\$50.00) per month, and  
20 the said Board shall have full power and authority to pay all expenses for administering this act  
21 including the purchase of supplies, legal advice, etc., out of the fund provided for herein. The  
22 Board shall have authority to make such rules, regulations, and provisions as may be necessary  
23 to the proper administration of this act. The Board may retain an investment firm to manage the  
24 Fund and upon a unanimous vote of the Board may increase the amount of the maximum lump  
25 sum payments by up to ten percent (10%) once every five years. Fund."

26 SECTION 2. This act is effective when it becomes law.

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☐ Committee Substitute for

**HB 1935.** A BILL TO BE ENTITLED AN ACT TO RAISE THE CEILING FOR BENEFITS UNDER THE EMERGENCY PENSION FUND FOR SWORN LAW ENFORCEMENT OFFICERS OF MECKLENBURG COUNTY.

☒ With a favorable report as to the committee substitute bill, which changes the title, unfavorable as to the original bill.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

1

## HOUSE BILL 1998

Short Title: Reciprocity for ORP Service.

(Public)

Sponsors: Representatives Haire; and Bordsen.

Referred to: Pensions and Retirement, if favorable, Appropriations.

May 26, 2010

## A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE RECIPROCITY FOR SERVICE IN THE OPTIONAL  
RETIREMENT PROGRAM FOR MEMBERS OF THE TEACHERS AND STATE  
EMPLOYEES RETIREMENT SYSTEM.

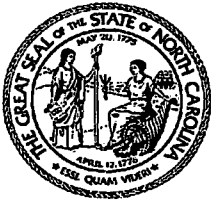
The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 135-4.1(a) reads as rewritten:

"(a) Only for the purpose of determining eligibility for benefits accruing under this Article, creditable service standing to the credit of a member of the Legislative Retirement System, Consolidated Judicial Retirement System, or the Local Governmental Employees' Retirement System or service standing to the credit of a member of the Optional Retirement Program shall be added to the creditable service standing to the credit of a member of this System; provided, that in the event a person is a retired member of any of the foregoing retirement ~~systems~~, systems or the Optional Retirement Program, such creditable service standing or service standing to the credit of the retired member prior to retirement shall be likewise counted. In no instance shall service credits maintained in the aforementioned retirement systems or the Optional Retirement Program be added to the creditable service in this System for application of this System's benefit accrual rate in computing a service retirement benefit unless specifically authorized by this Article."

**SECTION 2.** This act is effective when it becomes law.





NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER  
RETIREMENT SYSTEMS DIVISION

JANET COWELL  
TREASURER

MICHAEL WILLIAMSON  
DEPUTY TREASURER

June 7, 2010

The Honorable Russell Tucker  
Chairman, House Committee On Pensions and Retirement  
Suite 416-B of the Legislative Office Building  
Raleigh, North Carolina 27603-5925

**Re: Actuarial Note  
House Bill 1998**

Dear Representative Tucker:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on **House Bill 1998** which affects the Teachers' and State Employees' Retirement System (TSERS).

Please let me know if you have any questions with regard to this actuarial note. Also, please let me know when you wish for us to appear before your Committee with regard to this note.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Michael Williamson", written over a horizontal line.

Michael Williamson  
Director, Retirement Systems Division

MW/ps

Enclosure

**buckconsultants**

A Xerox Company

June 3, 2010

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: House Bill 1998**

Dear Mr. Vanderweide:

We have received your request of May 26 regarding House Bill 1998, which affects the Teachers' and State Employees' Retirement System (TSERS). We have also received the data you provided on May 28 for the 1,463 employees with service in both TSERS and the Optional Retirement Program (ORP).

This proposed legislation amends G.S. 135-4.1(a) and appears to give vesting and eligibility credit in TSERS for service in the ORP.

Based on a nine-year liquidation period and assuming that the contribution rate is increased to 6.71% of payroll to cover the required contribution for the 2010 - 2011 fiscal year, the annual cost for this proposed legislation is negligible.

I am an Enrolled Actuary, a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions or need additional assistance, please let us know.

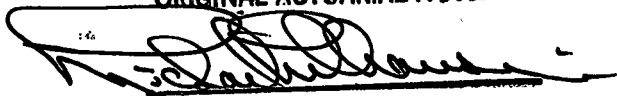
Very truly yours,

  
Richard A. Mackesey, FSA, EA, MAAA  
Principal, Consulting Actuary

RAM:km  
(NCICOR00603RM1.DOC)

THIS IS TO CERTIFY THAT THIS IS A  
TRUE AND EXACT COPY OF AN  
ORIGINAL ACTUARIAL NOTE

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534  
972.628.6800 • 972.628.6801 (fax)



**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☐ Committee Substitute for

**HB 1998**                      A BILL TO BE ENTITLED AN ACT TO AUTHORIZE RECIPROCITY FOR  
SERVICE IN THE OPTIONAL RETIREMENT PROGRAM FOR MEMBERS OF THE TEACHERS  
AND STATE EMPLOYEES RETIREMENT SYSTEM.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on  
APPROPRIATIONS.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ The bill/resolution is re-referred to the Committee on \_\_\_\_\_.

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

1

## HOUSE BILL 2054

Short Title: Retirement Technical Corrections.

(Public)

Sponsors: Representative Tucker.

Referred to: Pensions and Retirement.

May 27, 2010

## A BILL TO BE ENTITLED

AN ACT TO MAKE TECHNICAL CORRECTIONS TO THE STATUTES GOVERNING  
THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

**SECTION 1.(a)** G.S. 135-5(g) reads as rewritten:

"(g) Election of Optional Allowance. – With the provision that until the first payment on account of any benefit becomes normally due, or his first retirement check has been cashed, any member may elect to receive his benefits in a retirement allowance payable throughout life, or he may elect to receive the actuarial equivalent of such retirement allowance, including any special retirement allowance, in a reduced allowance payable throughout life under the provisions of one of the options set forth below. The election of ~~Option 2 or Option 3~~ Options 2, 3, or 6 or nomination of the person thereunder shall be revoked if such person nominated dies prior to the date the first payment becomes normally due or until the first retirement check has been cashed. Such election may be revoked by the member prior to the date the first payment becomes normally due or until his first retirement check has been cashed. Provided, however, in the event a member has elected ~~Option 2 or Option 3~~ Options 2, 3, or 5 and nominated his or her spouse to receive a retirement allowance upon the member's death, and the spouse predeceases the member after the first payment becomes normally due or the first retirement check has been cashed, if the member remarries he or she may request to nominate a new spouse to receive the retirement allowance under the previously elected option, within 90 days of the remarriage, and may nominate a new spouse to receive the retirement allowance under the previously elected option by written designation duly acknowledged and filed with the Board of Trustees within 120 days of the remarriage. The new nomination shall be effective on the first day of the month following the month in which it is made and shall provide for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new nomination. Any member having elected Options 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement allowance upon the member's death may, after divorce from his or her spouse, revoke the nomination and elect a new option, effective on the first day of the month following the month in which the new option is elected, providing for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new option. Except as provided in this section, the member may not change the member's retirement benefit option or the member's designated beneficiary for survivor benefits, if any, after the member has cashed the first retirement check or after the twenty-fifth day of the month following the month in which the first check is mailed, whichever comes first.



\* H 2 0 5 4 - V - 1 \*

1       Option 1.(a)     In the Case of a Member Who Retires prior to July 1, 1963. – If he dies  
2                       before he has received in annuity payments the present value of his annuity  
3                       as it was at the time of his retirement, the balance shall be paid to his legal  
4                       representatives or to such person as he shall nominate by written  
5                       designation duly acknowledged and filed with the Board of Trustees.

6               (b)     In the Case of a Member Who Retires on or after July 1, 1963, but prior to  
7                       July 1, 1993. – If he dies within 10 years from his retirement date, an  
8                       amount equal to his accumulated contributions at retirement, less 1/120  
9                       thereof for each month for which he has received a retirement allowance  
10                      payment, shall be paid to his legal representatives or to such person as he  
11                      shall nominate by written designation duly acknowledged and filed with  
12                      the Board of Trustees; or

13       Option 2. Upon his death his reduced retirement allowance shall be continued throughout  
14       the life of and paid to such person as he shall nominate by written designation duly  
15       acknowledged and filed with the Board of Trustees at the time of his retirement, provided that  
16       if the person selected is other than his spouse the reduced retirement allowance payable to the  
17       member shall not be less than one half of the retirement allowance without optional  
18       modification which would otherwise be payable to him; or

19       Option 3. Upon his death, one half of his reduced retirement allowance shall be continued  
20       throughout the life of, and paid to such person as he shall nominate by written designation duly  
21       acknowledged and filed with the Board of Trustees at the time of his retirement; or

22       Option 4. Adjustment of Retirement Allowance for Social Security Benefits. – Until the  
23       first payment on account of any benefit becomes normally due, any member may elect to  
24       convert his benefit otherwise payable on his account after retirement into a retirement  
25       allowance of equivalent actuarial value of such amount that with his benefit under Title II of  
26       the Federal Social Security Act, he will receive, so far as possible, approximately the same  
27       amount per year before and after the earliest age at which he becomes eligible, upon application  
28       therefor, to receive a social security benefit.

29       Option 5. For Members Retiring Prior to July 1, 1993. – The member may elect to receive a  
30       reduced retirement allowance under the conditions of Option 2 or Option 3, as provided for  
31       above, with the modification that if both he and the person nominated die within 10 years from  
32       his retirement date, an amount equal to his accumulated contributions at retirement, less 1/120  
33       thereof for each month for which a retirement allowance has been paid, shall be paid to his  
34       legal representatives or to such person as he shall nominate by written designation duly  
35       acknowledged and filed with the Board of Trustees.

36       Option 6. A member may elect either Option 2 or Option 3 with the added provision that in  
37       the event the designated beneficiary predeceases the member, the retirement allowance payable  
38       to the member after the designated beneficiary's death shall be equal to the retirement  
39       allowance which would have been payable had the member not elected the option.

40       Upon the death of a member after the effective date of a retirement for which the member  
41       has been approved and following receipt by the Board of Trustees of an election of benefits  
42       (Form 6-E or Form 7-E) but prior to the cashing of the first benefit check, the retirement benefit  
43       shall be payable as provided by the member's election of benefits under this subsection.

44       Upon the death of a member after the effective date of a retirement for which the member  
45       has been approved but prior to the receipt by the Board of Trustees of an election of benefits  
46       (Form 6-E or Form 7-E), properly acknowledged and filed by the member, the member's  
47       designated beneficiary for a return of accumulated contributions may elect to receive the  
48       benefit, if only one beneficiary is ~~named for~~ eligible to receive the return of accumulated  
49       contributions. If more than one beneficiary is ~~named for~~ eligible to receive the return of  
50       accumulated contributions, the administrator or executor of the member's estate will select an  
51       option and name the beneficiary or beneficiaries."

1           **SECTION 1.(b)** G.S. 128-27(g) reads as rewritten:

2           "(g) Election of Optional Allowance. – With the provision that until the first payment on  
3 account of any benefit becomes normally due, or his first retirement check has been cashed,  
4 any member may elect to receive his benefits in a retirement allowance payable throughout life,  
5 or he may elect to receive the actuarial equivalent of such retirement allowance, including any  
6 special retirement allowance, in a reduced allowance payable throughout life under the  
7 provisions of one of the Options set forth below. The election of ~~Option two or Option three~~  
8 Options 2, 3, or 6 or nomination of the person thereunder shall be revoked if such person  
9 nominated dies prior to the date the first payment becomes normally due or the first retirement  
10 check has been cashed. Such election may be revoked by the member prior to the date the first  
11 payment becomes normally due or his first retirement check has been cashed. Provided,  
12 however, in the event a member has elected ~~Option 2 or Option 3~~ Options 2, 3, or 5 and  
13 nominated his or her spouse to receive a retirement allowance upon the member's death, and the  
14 spouse predeceases the member after the first payment becomes normally due or the first  
15 retirement check has been cashed, if the member remarries he or she may request to nominate a  
16 new spouse to receive the retirement allowance under the previously elected option, within 90  
17 days of the remarriage, and may nominate a new spouse to receive the retirement allowance  
18 under the previously elected option by written designation duly acknowledged and filed with  
19 the Board of Trustees within 120 days of the remarriage. The new nomination shall be effective  
20 on the first day of the month following the month in which it is made and shall provide for a  
21 retirement allowance computed to be the actuarial equivalent of the retirement allowance in  
22 effect immediately prior to the effective date of the new nomination. Any member having  
23 elected ~~Options two, three, or six~~ 2, 3, 5, or 6 and nominated his or her spouse to receive a  
24 retirement allowance upon the member's death may, after divorce from his or her spouse,  
25 revoke the nomination and elect a new option, effective on the first day of the month following  
26 the month in which the new option is elected, providing for a retirement allowance computed to  
27 be the actuarial equivalent of the retirement allowance in effect immediately prior to the  
28 effective date of the new option. Except as provided in this section, the member may not  
29 change the member's retirement benefit option or the member's designated beneficiary for  
30 survivor benefits, if any, after the member has cashed the first retirement check or after the  
31 twenty-fifth day of the month following the month in which the first check is mailed,  
32 whichever comes first.

## 33           Option one.

- 34           (a) In the Case of a Member Who Retires prior to July 1, 1965. – If he dies  
35 before he has received in annuity payments the present value of his annuity  
36 as it was at the time of his retirement, the balance shall be paid to such  
37 person as he shall nominate by written designation duly acknowledged and  
38 filed with the Board of Trustees or, if none, to his legal representative.
- 39           (b) In the Case of a Member Who Retires on or after July 1, 1965, but prior to  
40 July 1, 1993. – If he dies within 10 years from his retirement date, an amount  
41 equal to his accumulated contributions at retirement, less one  
42 one-hundred-twentieth thereof for each month for which he has received a  
43 retirement allowance payment, shall be paid to such person as he shall  
44 nominate by written designation duly acknowledged and filed with the  
45 Board of Trustees or, if none, to his legal representative; or

46           Option two. Upon his death his reduced retirement allowance shall be continued throughout  
47 the life of and paid to such person as he shall nominate by written designation duly  
48 acknowledged and filed with the Board of Trustees at the time of his retirement, provided that  
49 if the person selected is other than his spouse the reduced retirement allowance payable to the  
50 member shall not be less than one half of the retirement allowance without optional  
51 modification which would otherwise be payable to him; or

1 Option three. Upon his death, one half of his reduced retirement allowance shall be  
2 continued throughout the life of, and paid to such person as he shall nominate by written  
3 designation duly acknowledged and filed with the Board of Trustees at the time of his  
4 retirement; or

5 Option four. Adjustment of Retirement Allowance for Social Security Benefits. – Until the  
6 first payment on account of any benefit becomes normally due, any member may elect to  
7 convert his benefit otherwise payable on his account after retirement into a retirement  
8 allowance of equivalent actuarial value of such amount that with his benefit under Title II of  
9 the Federal Social Security Act, he will receive, so far as possible, approximately the same  
10 amount per year before and after the earliest age at which he becomes eligible, upon application  
11 therefor, to receive a social security benefit.

12 Option five. For Members Retiring prior to July 1, 1993. – The member may elect to  
13 receive a reduced retirement allowance under the conditions of Option two or Option three, as  
14 provided for above, with the modification that if both he and the person nominated die within  
15 10 years from his retirement date, an amount equal to his accumulated contributions at  
16 retirement, less 1/120th thereof for each month for which a retirement allowance has been paid,  
17 shall be paid to his legal representatives or to such person as he shall nominate by written  
18 designation duly acknowledged and filed with the Board of Trustees.

19 Option six. A member may elect either Option two or Option three with the added provision  
20 that in the event the designated beneficiary predeceases the member, the retirement allowance  
21 payable to the member after the designated beneficiary's death shall be equal to the retirement  
22 allowance which would have been payable had the member not elected the option.

23 Upon the death of a member after the effective date of a retirement for which the member  
24 has been approved and following receipt by the Board of Trustees of an election of benefits  
25 (Form 6-E or Form 7-E) but prior to the cashing of the first benefit check, the retirement benefit  
26 shall be payable as provided by the member's election of benefits under this subsection.

27 Upon the death of a member after the effective date of a retirement for which the member  
28 has been approved but prior to the receipt by the Board of Trustees of an election of benefits  
29 (Form 6-E or Form 7-E), properly acknowledged and filed by the member, the member's  
30 designated beneficiary for a return of accumulated contributions may elect to receive the  
31 benefit, if only one beneficiary is ~~named for~~ eligible to receive the return of accumulated  
32 contributions. If more than one beneficiary is ~~named for~~ eligible to receive the return of  
33 accumulated contributions, the administrator or executor of the member's estate will select an  
34 option and name the beneficiary or beneficiaries."

35 **SECTION 2.(a)** G.S. 135-5(m) reads as rewritten:

36 "(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the principal  
37 beneficiary designated to receive a return of accumulated contributions shall have the right to  
38 elect to receive in lieu thereof the reduced retirement allowance provided by Option 2 of  
39 subsection (g) above computed by assuming that the member had retired on the first day of the  
40 month following the date of his death, provided that all four of the following conditions apply:

- 41 (1) a. The member had attained such age and/or creditable service to be  
42 eligible to commence retirement with an early or service retirement  
43 allowance, or  
44 b. The member had obtained 20 years of creditable service in which  
45 case the retirement allowance shall be computed in accordance with  
46 G.S. 135-5(b19)(1)b. or G.S. 135-5(b19)(2)c., notwithstanding the  
47 requirement of obtaining age 50, or  
48 b1. The member was a law enforcement officer who had obtained 15  
49 years of service as a law enforcement officer and was killed in the  
50 line of duty, in which case the retirement allowance shall be

1 computed in accordance with G.S. 135-5(b19)(1)b., notwithstanding  
2 the requirement of obtaining age 50, 50.

3 e. ~~The member had not commenced to receive a retirement allowance~~  
4 ~~as provided under this Chapter.~~

5 (2) ~~The member had designated as the principal beneficiary. At the time of the~~  
6 ~~member's death, one and only one beneficiary is eligible to receive a return~~  
7 ~~of his accumulated contributions one and only one person who was living at~~  
8 ~~the time of his death. contributions.~~

9 (3) The member had not instructed the Board of Trustees in writing that he did  
10 not wish the provisions of this subsection to apply.

11 (4) The member had not commenced to receive a retirement allowance as  
12 provided under this Chapter.

13 For the purpose of this benefit, a member is considered to be in service at  
14 the date of his death if his death occurs within 180 days from the last day of  
15 his actual service. The last day of actual service shall be determined as  
16 provided in subsection (l) of this section. Upon the death of a member in  
17 service, the surviving spouse may make all purchases for creditable service  
18 as provided for under this Chapter for which the member had made  
19 application in writing prior to the date of death, provided that the date of  
20 death occurred prior to or within 60 days after notification of the cost to  
21 make the purchase. The term "in service" as used in this subsection includes  
22 a member in receipt of a benefit under the Disability Income Plan as  
23 provided in Article 6 of this Chapter.

24 Notwithstanding the foregoing, a member who is in receipt of Workers'  
25 Compensation during the period for which the member would have  
26 otherwise been eligible to receive short-term benefits, as provided in  
27 G.S. 135-105, and who dies on or after 181 days from the last day of the  
28 member's actual service but on or before the date the benefits as provided in  
29 G.S. 135-105 would have ended, shall be considered in service at the time of  
30 the member's death for the purpose of this benefit.

31 For the purpose of calculating this benefit any terminal payouts made  
32 after the date of death that meet the definition of compensation shall be  
33 credited to the month prior to the month of death. These terminal payouts do  
34 not include salary or wages paid for work performed during the month of  
35 death."

36 **SECTION 2.(b)** G.S. 128-27(m) reads as rewritten:

37 "(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the ~~principal~~  
38 beneficiary designated to receive a return of accumulated contributions shall have the right to  
39 elect to receive in lieu thereof the reduced retirement allowance provided by Option two of  
40 subsection (g) above computed by assuming that the member had retired on the first day of the  
41 month following the date of his death, provided that all ~~three~~ four of the following conditions  
42 apply:

43 (1) a. The member had attained such age and/or creditable service to be  
44 eligible to commence retirement with an early or service retirement  
45 allowance, or

46 b. The member had obtained 20 years of creditable service in which  
47 case the retirement allowance shall be computed in accordance with  
48 G.S. 128-27(b21)(1)b. or G.S. 128-27(b21)(2)c., notwithstanding the  
49 requirement of obtaining age 50, or

50 b1. The member was a law enforcement officer who had obtained 15  
51 years of service as a law enforcement officer and was killed in the



line of duty, in which case the retirement allowance shall be computed in accordance with G.S. 128-27(b21)(1)b., notwithstanding the requirement of obtaining age ~~50~~, or 50.

e. ~~The member had not commenced to receive a retirement allowance as provided under this Chapter.~~

(2) ~~The member had designated as the principal beneficiary~~ At the time of the member's death, one and only one beneficiary is eligible to receive a return of his accumulated contributions one and only one person who is living at the time of his death. ~~contributions.~~

(3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection apply.

(4) The member had not commenced to receive a retirement allowance as provided under this Chapter.

For the purpose of this benefit, a member is considered to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase.

For the purpose of calculating this benefit, any terminal payouts made after the date of death that meet the definition of compensation shall be credited to the month prior to the month of death. These terminal payouts do not include salary or wages paid for work performed during the month of death."

**SECTION 3.(a)** G.S. 135-45.2(f) reads as rewritten:

"(f) Former employees who are receiving disability retirement benefits or disability income benefits pursuant to Article 6 of Chapter 135 of the General ~~Statutes, Statutes or who are approved for those benefits but not in receipt of the benefits due to exhaustion of leave,~~ provided the former employee has at least five years of ~~retirement membership service,~~ contributory retirement service with an employing unit of a State-supported retirement system, shall be eligible for the benefit provisions of this Plan, as set forth in this Part, on a noncontributory basis. Such coverage shall terminate as of the end of the month in which such former employee is no longer eligible for disability retirement benefits or disability income benefits pursuant to Article 6 of this Chapter."

**SECTION 3.(b)** G.S. 135-5(l) reads as rewritten:

"(l) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is separate and apart from the Retirement System and under which the members of the Retirement System shall participate and be eligible for group life insurance benefits. Upon receipt of proof, satisfactory to the Board of Trustees in their capacity as trustees under the Group Life Insurance Plan, of the death, in service, of a member who had completed at least one full calendar year of membership in the Retirement System, there shall be paid to such person as he shall have nominated by electronic submission prior to completing 10 years of service in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

(1) The compensation on which contributions were made by the member during the calendar year preceding the year in which his death occurs, or

(2) The greatest compensation on which contributions were made by the member during a 12-month period of service within the 24-month period of

service ending on the last day of the month preceding the month in which his last day of actual service occurs;

(3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2. subject to a minimum of twenty-five thousand dollars (\$25,000) and to a maximum of fifty thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the payment of the member's accumulated contributions under the System on his death pursuant to the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be deemed to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service.

The death benefit provided in this subsection (l) shall not be payable, notwithstanding the member's compliance with all the conditions set forth in the preceding paragraph, if his death occurs

- (1) After December 31, 1968 and after he has attained age 70; or
- (2) After December 31, 1969 and after he has attained age 69; or
- (3) After December 31, 1970 and after he has attained age 68; or
- (4) After December 31, 1971 and after he has attained age 67; or
- (5) After December 31, 1972 and after he has attained age 66; or
- (6) After December 31, 1973 and after he has attained age 65; or
- (7) After December 31, 1978, but before January 1, 1987, and after he has attained age 70.

Notwithstanding the above provisions, the death benefit shall be payable on account of the death of any member who died or dies on or after January 1, 1974, but before January 1, 1979, after attaining age 65, if he or she had not yet attained age 65, if he or she had not yet attained age 66, was at the time of death completing the work year for those individuals under specific contract, or during the fiscal year for those individuals not under specific contract, in which he or she attained 65, and otherwise met all conditions for payment of the death benefit.

Notwithstanding the above provisions, the Board of Trustees may and is specifically authorized to provide the death benefit according to the terms and conditions otherwise appearing in this Plan in the form of group life insurance, either (i) by purchasing a contract or contracts of group life insurance with any life insurance company or companies licensed and authorized to transact business in this State for the purpose of insuring the lives of members in service, or (ii) by establishing a separate trust fund qualified under Section 501(c)(9) of the Internal Revenue Code of 1954, as amended, for such purpose. To that end the Board of Trustees is authorized, empowered and directed to investigate the desirability of utilizing group life insurance by either of the foregoing methods for the purpose of providing the death benefit. If a separate trust fund is established, it shall be operated in accordance with rules and regulations adopted by the Board of Trustees and all investment earnings on the trust fund shall be credited to such fund.

In administration of the death benefit the following shall apply:

- (1) For the purpose of determining eligibility only, in this subsection "calendar year" shall mean any period of 12 consecutive months or, if less, the period covered by an annual contract of employment. For all other purposes in this subsection "calendar year" shall mean the 12 months beginning January 1 and ending December 31.
- (2) Last day of actual service shall be:
  - a. When employment has been terminated, the last day the member actually worked.
  - b. When employment has not been terminated, the date on which an absent member's sick and annual leave expire, unless he is on approved leave of absence and is in service under the provisions of G.S. 135-4(h).

c. When a participant's employment is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, and the participant does not return immediately after that service to employment with a covered employer in this System, the date on which the participant was first eligible to be separated or released from his or her involuntary military service.

(3) For a period when a member is on leave of absence, his status with respect to the death benefit will be determined by the provisions of G.S. 135-4(h).

(4) A member on leave of absence from his position as a teacher or State employee for the purpose of serving as a member or officer of the General Assembly shall be deemed to be in service during sessions of the General Assembly and thereby covered by the provisions of the death benefit. The amount of the death benefit for such member shall be the equivalent of the salary to which the member would have been entitled as a teacher or State employee during the 12-month period immediately prior to the month in which death occurred, not to be less than twenty-five thousand dollars (\$25,000) nor to exceed fifty thousand dollars (\$50,000).

The provisions of the Retirement System pertaining to Administration, G.S. 135-6, and management of funds, G.S. 135-7, are hereby made applicable to the Plan.

A member who is a beneficiary of the Disability Income Plan provided for in Article 6 of this Chapter, or a member who is in receipt of Workers' Compensation during the period for which he or she would have otherwise been eligible to receive short-term benefits or extended short-term benefits as provided in G.S. 135-105 and dies on or after 181 days from the last day of his or her actual service but prior to the date the benefits as provided in G.S. 135-105 would have ended, shall be eligible for group life insurance benefits as provided in this subsection, notwithstanding that the member is no longer an employee or teacher or that the member's death occurs after the eligibility period after active service. The basis of the death benefit payable hereunder shall be the higher of the death benefit computed as above or a death benefit based on compensation used in computing the benefit payable under G.S. 135-105 and G.S. 135-106, as may be adjusted for percentage post-disability increases, all subject to the maximum dollar limitation as provided above. A member in receipt of benefits from the Disability Income Plan under the provisions of G.S. 135-112 whose right to a benefit accrued under the former Disability Salary Continuation Plan shall not be covered under the provisions of this paragraph.

Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 1988, but before January 1, 1999, there shall be paid a death benefit to the surviving spouse of the deceased retired member or to the deceased retired member's legal representative if not survived by a spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of his death required contributions as determined by the Board of Trustees on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Board of Trustees, to a group death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of five thousand dollars (\$5,000) upon the completion of twenty-four months of contributions required under this subsection. Should death occur before the completion of twenty-four months of contributions required under this subsection, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be

1 paid the sum of the retired member's contributions required by this subsection plus interest to  
2 be determined by the Board of Trustees.

3 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
4 subsection, of the death of a retired member of the Retirement System on or after January 1,  
5 1999, but before July 1, 2004, there shall be paid a death benefit to the surviving spouse of the  
6 deceased retired member or to the deceased retired member's legal representative if not  
7 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
8 has continuously made, in advance of his death required contributions as determined by the  
9 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
10 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
11 administered by the Board of Trustees separate and apart from the Retirement System's  
12 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum  
13 payment in the amount of six thousand dollars (\$6,000) upon the completion of 24 months of  
14 contributions required under this subsection. Should death occur before the completion of 24  
15 months of contributions required under this subsection, the deceased retired member's surviving  
16 spouse or legal representative if not survived by a spouse shall be paid the sum of the retired  
17 member's contributions required by this subsection plus interest to be determined by the Board  
18 of Trustees.

19 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
20 subsection, of the death of a retired member of the Retirement System on or after July 1, 2004,  
21 but before July 1, 2007, there shall be paid a death benefit to the surviving spouse of the  
22 deceased retired member or to the deceased retired member's legal representative if not  
23 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
24 has continuously made, in advance of his death required contributions as determined by the  
25 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
26 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
27 administered by the Board of Trustees Fund and Pension Accumulation Fund. This death  
28 benefit shall be a lump-sum payment in the amount of nine thousand dollars (\$9,000) upon the  
29 completion of 24 months of contributions required under this subsection. Should death occur  
30 before the completion of 24 months of contributions required under this subsection, the  
31 deceased retired member's surviving spouse or legal representative if not survived by a spouse  
32 shall be paid the sum of the retired member's contributions required by this subsection plus  
33 interest to be determined by the Board of Trustees.

34 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
35 subsection, of the death of a retired member of the Retirement System on or after July 1, 2007,  
36 there shall be paid a death benefit to the surviving spouse of the deceased retired member or to  
37 the deceased retired member's legal representative if not survived by a spouse; provided the  
38 retired member has elected, when first eligible, to make, and has continuously made, in  
39 advance of his death required contributions as determined by the Board of Trustees on a fully  
40 contributory basis, through retirement allowance deductions or other methods adopted by the  
41 Board of Trustees, to a group death benefit trust fund administered by the Board of Trustees  
42 Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the  
43 amount of ten thousand dollars (\$10,000) upon the completion of 24 months of contributions  
44 required under this subsection. Should death occur before the completion of 24 months of  
45 contributions required under this subsection, the deceased retired member's surviving spouse or  
46 legal representative if not survived by a spouse shall be paid the sum of the retired member's  
47 contributions required by this subsection plus interest to be determined by the Board of  
48 Trustees."

49 **SECTION 4.(a) G.S. 135-3(8)d. reads as rewritten:**

50 "d. Should a beneficiary who retired on an early or service retirement  
51 allowance under this Chapter be restored to service as an employee

1 or teacher, then the retirement allowance shall cease as of the first of  
2 the month following the month in which the beneficiary is restored to  
3 service and the beneficiary shall become a member of the Retirement  
4 System and shall contribute thereafter as allowed by law at the  
5 uniform contribution payable by all members.

6 Upon his subsequent retirement, he shall be paid a retirement  
7 allowance determined as follows:

8 1. For a member who earns at least three years' membership  
9 service after restoration to service, the retirement allowance  
10 shall be computed on the basis of his compensation and  
11 service before and after the period of prior retirement without  
12 restrictions; provided, that if the prior allowance was based  
13 on a social security leveling payment option, the allowance  
14 shall be adjusted actuarially for the difference between the  
15 amount received under the optional payment and what would  
16 have been paid if the retirement allowance had been paid  
17 without optional modification. In the alternative, the member  
18 may receive a refund of the member's accumulated  
19 contributions for the period of service after restoration to  
20 service in accordance with G.S. 135-5(f).

21 2. For a member who does not earn three years' membership  
22 service after restoration to service, the retirement allowance  
23 shall be equal to the sum of the retirement allowance to which  
24 he would have been entitled had he not been restored to  
25 service, without modification of the election of an optional  
26 allowance previously made, and the retirement allowance that  
27 results from service earned since being restored to service;  
28 provided, that if the prior retirement allowance was based on  
29 a social security leveling payment option, the prior allowance  
30 shall be adjusted actuarially for the difference between the  
31 amount that would have been paid for each month had the  
32 payment not been suspended and what would have been paid  
33 if the retirement allowance had been paid without optional  
34 modification. In the alternative, the member may receive a  
35 refund of the member's accumulated contributions for the  
36 period of service after restoration to service in accordance  
37 with G.S. 135-5(f), or the member may allow this new  
38 account to remain inactive."

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

40 "d. Should a beneficiary who retired on an early or service retirement  
41 allowance be restored to service as an employee, then the retirement  
42 allowance shall cease as of the first day of the month following the  
43 month in which the beneficiary is restored to service and the  
44 beneficiary shall become a member of the Retirement System and  
45 shall contribute thereafter as allowed by law at the uniform  
46 contribution payable by all members.

47 Upon his subsequent retirement, he shall be paid a retirement  
48 allowance determined as follows:

49 1. For a member who earns at least three years' membership  
50 service after restoration to service, the retirement allowance  
51 shall be computed on the basis of his compensation and

1 service before and after the period of prior retirement without  
2 restriction; provided, that if the prior allowance was based on  
3 a social security leveling payment option, the allowance shall  
4 be adjusted actuarially for the difference between the amount  
5 received under the optional payment and what would have  
6 been paid if the retirement allowance had been paid without  
7 optional modification. In the alternative, the member may  
8 receive a refund of the member's accumulated contributions  
9 for the period of service after restoration to service in  
10 accordance with G.S. 128-27(f).

- 11 2. For a member who does not earn three years' membership  
12 service after restoration to service, the retirement allowance  
13 shall be equal to the sum of the retirement allowance to which  
14 he would have been entitled had he not been restored to  
15 service, without modification of the election of an optional  
16 allowance previously made, and the retirement allowance that  
17 results from service earned since being restored to service;  
18 provided, that if the prior retirement allowance was based on  
19 a social security leveling payment option, the prior allowance  
20 shall be adjusted actuarially for the difference between the  
21 amount that would have been paid for each month had the  
22 payment not been suspended and what would have been paid  
23 if the retirement allowance had been paid without optional  
24 modification. In the alternative, the member may receive a  
25 refund of the member's accumulated contributions for the  
26 period of service after restoration to service in accordance  
27 with G.S. 128-27(f), or the member may allow this new  
28 account to remain inactive."

29 **SECTION 5.(a)** G.S. 135-4(gg) reads as rewritten:

30 "(gg) If a member who is an elected government official and has not vested in this System  
31 on July 1, 2007, is convicted of an offense listed in G.S. 135-18.10 for acts committed after  
32 July 1, 2007, then that member shall forfeit all benefits under this System. System, except for a  
33 return of member contributions plus interest. If a member who is an elected government official  
34 and has vested in this System on July 1, 2007, is convicted of an offense listed in  
35 G.S. 135-18.10 for acts committed after July 1, 2007, then that member is not entitled to any  
36 creditable service that accrued after July 1, 2007. No member shall forfeit any benefit or  
37 creditable service earned from a position not as an elected government official."

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

39 "(w) If a member who is an elected government official and has not vested in this System  
40 on July 1, 2007, is convicted of an offense listed in G.S. 128-38.4 for acts committed after July  
41 1, 2007, then that member shall forfeit all benefits under this System. System, except for a  
42 return of member contributions plus interest. If a member who is an elected government official  
43 and has vested in this System on July 1, 2007, is convicted of an offense listed in G.S. 128-38.4  
44 for acts committed after July 1, 2007, then that member is not entitled to any creditable service  
45 that accrued after July 1, 2007. No member shall forfeit any benefit or creditable service earned  
46 from a position not as an elected government official."

47 **SECTION 6.(a)** G.S. 135-10.1 reads as rewritten:

48 **"§ 135-10.1. Failure to respond.**

49 If a member fails to respond ~~in any way~~ within ~~90~~ 120 days after preliminary option figures  
50 and the Form 6-E or Form 7-E are mailed, or if a member fails to respond within 120 days after  
51 the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null and void;

1 the retirement system shall not be liable for any benefits due on account of the voided  
2 application, and a new application must be filed establishing a subsequent effective date of  
3 retirement. If an applicant for disability retirement fails to furnish requested additional medical  
4 information within 90 days following such request, the application shall be declared null and  
5 void under the same conditions outlined above, unless the applicant is eligible for early or  
6 service retirement in which case the application shall be processed accordingly, using the same  
7 effective date as would have been used had the application for disability retirement been  
8 approved. The Director of the Retirement Systems Division, acting on behalf of the Board of  
9 Trustees, may extend the ~~90-day~~ 120-day limitation provided for in this section when a member  
10 has suffered incapacitation such that a reasonable person would not have expected the member  
11 to be able to complete the required paperwork within the regular deadline, or when an omission  
12 by the Retirement Systems Division prevents the member from having sufficient time to meet  
13 the regular deadline."

14 **SECTION 6.(b)** G.S. 128-32.1 reads as rewritten:

15 **"§ 128-32.1. Failure to respond.**

16 If a member fails to respond ~~in any way within 90~~ 120 days after preliminary option figures  
17 and the Form 6-E or Form 7-E are mailed, or if a member fails to respond within 120 days after  
18 the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null and void;  
19 the retirement system shall not be liable for any benefits due on account of the voided  
20 application, and a new application must be filed establishing a subsequent effective date of  
21 retirement. If an applicant for disability retirement fails to furnish requested additional medical  
22 information within 90 days following such request, the application shall be declared null and  
23 void under the same conditions outlined above, unless the applicant is eligible for early or  
24 service retirement in which case the application shall be processed accordingly, using the same  
25 effective date as would have been used had the application for disability retirement been  
26 approved. The Director of the Retirement Systems Division, acting on behalf of the Board of  
27 Trustees, may extend the ~~90-day~~ 120-day limitation provided for in this section when a member  
28 has suffered incapacitation such that a reasonable person would not have expected the member  
29 to be able to complete the required paperwork within the regular deadline, or when an omission  
30 by the Retirement Systems Division prevents the member from having sufficient time to meet  
31 the regular deadline."

32 **SECTION 7.** G.S. 135-106(b) reads as rewritten:

33 **"(b)** After the commencement of benefits under this section, the benefits payable under  
34 the terms of this section during the first 36 months of the long-term disability period shall be  
35 equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable  
36 to the participant or beneficiary prior to the beginning of the short-term disability period as may  
37 be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent  
38 (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would  
39 be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced  
40 by any primary Social Security disability benefits and by monthly payments for Workers'  
41 Compensation to which the participant or beneficiary may be entitled. When primary Social  
42 Security disability benefits are increased by cost-of-living adjustments, the increased reduction  
43 shall be applied in the first month following the month in which the member becomes entitled  
44 to the increased Social Security benefit. The monthly benefit shall be further reduced by the  
45 amount of any monthly payments from the federal Department of Veterans Affairs, any other  
46 federal agency or any payments made under the provisions of G.S. 127A-108, to which the  
47 participant or beneficiary may be entitled on account of the same disability. Provided, in any  
48 event, the benefit payable shall be no less than ten dollars (\$10.00) a month. However, a  
49 disabled participant may elect to receive any salary continuation as provided in G.S. 135-104 in  
50 lieu of long-term disability benefits; provided such election shall not extend the first 36  
51 consecutive calendar months of the long-term disability period. An election to receive any

1 salary continuation for any part of any given day shall be in lieu of any long-term benefit  
2 payable for that day, provided further, any lump-sum payout for vacation leave shall be treated  
3 as if the beneficiary or participant had exhausted the leave and shall be in lieu of any long-term  
4 benefit otherwise payable. Provided that, in any event, a beneficiary's benefit shall be reduced  
5 during the first 36 months of the long-term disability period by an amount, as determined by  
6 the Board of Trustees, equal to a primary Social Security retirement benefit to which the  
7 beneficiary might be entitled.

8 After 36 months of long-term disability, no further benefits are payable under the terms of  
9 this section unless the member has been approved and is in receipt of primary Social Security  
10 disability benefits. In that case the benefits payable shall be equal to sixty-five percent (65%) of  
11 1/12th of the annual base rate of compensation last payable to the participant or beneficiary  
12 prior to the beginning of the short-term disability period as may be adjusted for percentage  
13 increases as provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual  
14 longevity payment to which the participant or beneficiary would be eligible, to a maximum of  
15 three thousand nine hundred dollars (\$3,900) per month reduced by the primary Social Security  
16 disability benefits and by monthly payments for Workers' Compensation to which the  
17 participant or beneficiary may be entitled. When primary Social Security disability benefits are  
18 increased by cost-of-living adjustments, the increased reduction shall be applied in the first  
19 month following the month in which the member becomes entitled to the increased Social  
20 Security benefit. The monthly benefit shall be further reduced by the amount of any monthly  
21 payments from the federal Department of Veterans Affairs, for payments from any other  
22 federal agency, or for any payments made under the provisions of G.S. 127A-108, to which the  
23 participant or beneficiary may be entitled on account of the same disability. Provided, in any  
24 event, the benefit payable shall be no less than ten dollars (\$10.00) a month.

25 Notwithstanding the foregoing, the long-term disability benefit is payable so long as the  
26 beneficiary is disabled and is in receipt of a primary Social Security disability benefit until the  
27 earliest date at which the beneficiary is eligible for an unreduced service retirement allowance  
28 from the Retirement System, at which time the beneficiary would receive a retirement  
29 allowance calculated on the basis of the beneficiary's average final compensation at the time of  
30 disability as adjusted to reflect compensation increases subsequent to the time of disability and  
31 the creditable service accumulated by the beneficiary, including creditable service while in  
32 receipt of benefits under the Plan. In the event the beneficiary has not been approved and is not  
33 in receipt of a primary Social Security disability benefit, the long-term disability benefit shall  
34 cease after the first 36 months of the long-term disability period. However, a beneficiary shall  
35 be entitled to a restoration of the long-term disability benefit in the event the Social Security  
36 Administration grants a retroactive approval for primary Social Security disability benefits with  
37 a benefit effective date within the first 36 months of the long-term disability period. In such  
38 event, the long-term disability benefit shall be restored retroactively to the date of cessation."

39 **SECTION 8.(a)** G.S. 135-8(b2) reads as rewritten:

40 "(b2) Retroactive Adjustment in Compensation or an Underreporting of Compensation. –  
41 A member or beneficiary who is awarded backpay in cases of a denied promotional opportunity  
42 or wrongful demotion in which the aggrieved member or beneficiary is granted a promotion or  
43 a demotion is reversed retroactively, or in cases in which an employer errs in the reporting of  
44 compensation, including the employee and employer contributions, the member or beneficiary  
45 and employer may make employee and employer contributions on the retroactive or additional  
46 compensation, after submitting clear and convincing evidence of the retroactive promotion or  
47 underreporting of compensation, as follows:

- 48 (1) Within 90 days of the denial of the promotion or the error in reporting, by  
49 the payment of employee and employer contributions that would have been  
50 paid; or



- (2) After 90 days of the denial of the promotion or the error in reporting, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

For members or beneficiaries electing to make the employee contributions on the retroactive adjustment in compensation or on the underreported compensation, the member's or beneficiary's employer, which granted the retroactive promotion or erred in underreporting compensation and contributions, shall make the required employer contributions. Nothing contained in this subsection shall prevent an employer from paying all or a part of the interest assessed on the employee contributions; and to the extent paid by the employer, the interest paid by the employer shall be credited to the pension accumulation fund; provided, however, an employer does not discriminate against any member or beneficiary or group of members or beneficiaries in his employ in paying all or any part of the interest assessed on the employee contributions due.

In the event the retroactive adjustment in compensation or the underreported compensation is for a period that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5) the compensation the member or beneficiary would have received during the period shall be included in calculating the member's or beneficiary's average final compensation only in the event the appropriate employee and employer contributions are paid on such compensation.

An employer error in underreporting compensation shall not include a retroactive increase in compensation that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5) for reasons other than a wrongfully denied promotional opportunity or wrongful demotion where the member is promoted or the demotion is reversed retroactively."

**SECTION 8.(b)** G.S. 128-30(b2) reads as rewritten:

"(b2) Retroactive Adjustment in Compensation or an Underreporting of Compensation. – A member or beneficiary who is awarded backpay in cases of a denied promotional opportunity or wrongful demotion in which the aggrieved member or beneficiary is granted a promotion or a demotion is reversed retroactively, or in cases in which an employer errs in the reporting of compensation, including the employee and employer contributions, the member or beneficiary and employer may make employee and employer contributions on the retroactive or additional compensation after submitting clear and convincing evidence of the retroactive promotion or underreporting of compensation, as follows:

- (1) Within 90 days of the denial of the promotion or the error in reporting, by the payment of employee and employer contributions that would have been paid; or
- (2) After 90 days of the denial of the promotion or the error in reporting, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

For members or beneficiaries electing to make the employee contributions on the retroactive adjustment in compensation or on the underreported compensation, the member's or beneficiary's employer, which granted the retroactive promotion or erred in underreporting compensation and contributions, shall make the required employer contributions. Nothing contained in this subsection shall prevent an employer from paying all or a part of the interest assessed on the employee contributions; and to the extent paid by the employer, the interest

1 paid by the employer shall be credited to the pension accumulation fund; provided, however, an  
2 employer does not discriminate against any member or beneficiary or group of members or  
3 beneficiaries in his employ in paying all or any part of the interest assessed on the employee  
4 contributions due.

5 In the event the retroactive adjustment in compensation or the underreported compensation  
6 is for a period that occurs during the four consecutive calendar years that would have produced  
7 the highest average annual compensation pursuant to G.S. 135-1(5), the compensation the  
8 member or beneficiary would have received during the period shall be included in calculating  
9 the member's or beneficiary's average final compensation only in the event the appropriate  
10 employee and employer contributions are paid on such compensation.

11 An employer error in underreporting compensation shall not include a retroactive increase  
12 in compensation that occurs during the four consecutive calendar years that would have  
13 produced the highest average annual compensation pursuant to G.S. 135-1(5), for reasons other  
14 than a wrongfully denied promotional opportunity or wrongful demotion where the member is  
15 promoted or the demotion is reversed retroactively."

16 **SECTION 9.(a)** G.S. 135-5(g1) reads as rewritten:

17 "(g1) In the event of the death of a retired member while in receipt of a retirement  
18 allowance under the provisions of this Article, there shall be paid to such person or persons as  
19 the retiree shall have nominated by electronic submission in a form approved by the Board of  
20 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
21 such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
22 legal representatives, a death benefit equal to the excess, if any, of the accumulated  
23 contributions of the retiree at the date of retirement over the total of the retirement allowances  
24 paid prior to the death of the retiree. ~~For purposes of this paragraph, the term "accumulated~~  
25 ~~contributions" includes amounts of employee voluntary contributions that were transferred~~  
26 ~~from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at~~  
27 ~~retirement by eligible law enforcement officers. In the event that a retiree is receiving a Special~~  
28 Retirement Allowance under subsection (m1) of this section, there shall be paid to such person  
29 or persons as the retiree shall have nominated by electronic submission in a form approved by  
30 the Board of Trustees or by written designation duly acknowledged and filed with the Board of  
31 Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the  
32 retiree's legal representatives, an additional death benefit equal to the excess, if any, of the  
33 employee voluntary contributions that were transferred from the Supplemental Retirement  
34 Income Plan of North Carolina over the total of the Special Retirement Allowances paid prior  
35 to the death of the retiree.

36 In the event that a retirement allowance becomes payable to the designated survivor of a  
37 retired member under the provisions above and such retirement allowance to the survivor shall  
38 terminate upon the death of the survivor before the total of the retirement allowances paid to  
39 the retiree and the designated survivor combined equals the amount of the accumulated  
40 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
41 contributions over the total of the retirement allowances paid to the retiree and the survivor  
42 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
43 nominated by electronic submission in a form approved by the Board of Trustees or by written  
44 designation duly acknowledged and filed with the Board of Trustees, if such person or persons  
45 are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
46 purposes of this paragraph, the term "accumulated contributions" includes amounts of  
47 employee voluntary contributions that were transferred from the Supplemental Retirement  
48 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
49 enforcement officers.

50 In the event that a retirement allowance becomes payable to the principal beneficiary  
51 designated to receive a return of accumulated contributions pursuant to subsection (m) of this

1 section and that beneficiary dies before the total of the retirement allowances paid equals the  
2 amount of the accumulated contributions of the member at the date of the member's death, the  
3 excess of those accumulated contributions over the total of the retirement allowances paid to  
4 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
5 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
6 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
7 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
8 amounts of employee voluntary contributions that were transferred from the Supplemental  
9 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
10 law enforcement officers.

11 In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be  
12 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
13 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
14 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,  
15 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
16 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
17 total of the increase in the retirement allowance attributable to the additional creditable service,  
18 paid from the month following the month in which payment was received to the death of the  
19 retiree.

20 In the event that a retirement allowance becomes payable to the designated survivor of a  
21 retired member under the provisions above and such retirement allowance to the survivor shall  
22 terminate upon the death of the survivor before the total of the increase in the retirement  
23 allowance attributable to the additional creditable service paid to the retiree and the designated  
24 survivor combined equals the cost of the creditable service purchased less the administrative  
25 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
26 have nominated by electronic submission in a form approved by the Board of Trustees or by  
27 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
28 persons are living at the time such payment falls due, otherwise to the retiree's legal  
29 representative.

30 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
31 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
32 the member's estate."

33 **SECTION 9.(b)** G.S. 128-27(g1) reads as rewritten:

34 "(g1) In the event of the death of a retired member while in receipt of a retirement  
35 allowance under the provisions of this Article, there shall be paid to such person or persons as  
36 the retiree shall have nominated by electronic submission in a form approved by the Board of  
37 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
38 such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
39 legal representatives, a death benefit equal to the excess, if any, of the accumulated  
40 contributions of the retiree at the date of retirement over the total of the retirement allowances  
41 paid prior to the death of the retiree. ~~For purposes of this paragraph, the term "accumulated~~  
42 ~~contributions" includes amounts of employee voluntary contributions that were transferred~~  
43 ~~from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at~~  
44 ~~retirement by eligible law enforcement officers. In the event that a retiree is receiving a Special~~  
45 Retirement Allowance under subsection (m1) of this section, there shall be paid to such person  
46 or persons as the retiree shall have nominated by electronic submission in a form approved by  
47 the Board of Trustees or by written designation duly acknowledged and filed with the Board of  
48 Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the  
49 retiree's legal representatives, an additional death benefit equal to the excess, if any, of the  
50 employee voluntary contributions that were transferred from the Supplemental Retirement

1 Income Plan of North Carolina over the total of the Special Retirement Allowances paid prior  
2 to the death of the retiree.

3 In the event that a retirement allowance becomes payable to the designated survivor of a  
4 retired member under the provisions above and such retirement allowance to the survivor shall  
5 terminate upon the death of the survivor before the total of the retirement allowances paid to  
6 the retiree and the designated survivor combined equals the amount of the accumulated  
7 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
8 contributions over the total of the retirement allowances paid to the retiree and the survivor  
9 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
10 nominated by electronic submission in a form approved by the Board of Trustees or by written  
11 designation duly acknowledged and filed with the Board of Trustees, if such person or persons  
12 are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
13 purposes of this paragraph, the term "accumulated contributions" includes amounts of  
14 employee voluntary contributions that were transferred from the Supplemental Retirement  
15 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
16 enforcement officers.

17 In the event that a retirement allowance becomes payable to the principal beneficiary  
18 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
19 section and that beneficiary dies before the total of the retirement allowances paid equals the  
20 amount of the accumulated contributions of the member at the date of the member's death, the  
21 excess of those accumulated contributions over the total of the retirement allowances paid to  
22 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
23 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
24 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
25 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
26 amounts of employee voluntary contributions that were transferred from the Supplemental  
27 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
28 law enforcement officers.

29 In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be  
30 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
31 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
32 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,  
33 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
34 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
35 total of the increase in the retirement allowance attributable to the additional creditable service,  
36 paid from the month following the month in which payment was received to the death of the  
37 retiree.

38 In the event that a retirement allowance becomes payable to the designated survivor of a  
39 retired member under the provisions above, and such retirement allowance to the survivor shall  
40 terminate upon the death of the survivor before the total of the increase in the retirement  
41 allowance attributable to the additional creditable service paid to the retiree and the designated  
42 survivor combined equals the cost of the creditable service purchased less the administrative  
43 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
44 have nominated by electronic submission in a form approved by the Board of Trustees or by  
45 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
46 persons are living at the time such payment falls due, otherwise to the retiree's legal  
47 representative.

48 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
49 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
50 the member's estate."

51 **SECTION 10.(a)** G.S. 135-5(m1) reads as rewritten:

"(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a member who is a law enforcement officer may elect to transfer any portion of his eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina to this Retirement System and receive, in addition to his basic service, early or disability retirement allowance, a special retirement allowance which shall be based upon his eligible accumulated account balance at the date of the transfer of the assets to this System. For the purpose of determining the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors on the basis of mortality tables, such other tables as may be necessary and the interest assumption rate recommended by the actuary based upon actual experience including an assumed annual post-retirement allowance increase of four percent (4%). The Board of Trustees shall modify such factors every five years, as shall be deemed necessary, based upon the five year experience study as required by G.S. 135-6(n). Provided, however, a member, who transfers his eligible accumulated contributions from the Supplemental Retirement Income Plan of North Carolina, shall be taxed for North Carolina State Income tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the Supplemental Retirement Income Plan of North Carolina. The Teachers' and State Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly."

**SECTION 10.(b)** G.S. 128-27(m1) reads as rewritten:

"(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a member who is a law enforcement officer may elect to transfer any portion of his eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina to this Retirement System and receive, in addition to his basic service, early or disability retirement allowance, a special retirement allowance which shall be based upon his eligible accumulated account balance at the date of the transfer of the assets to this System. For the purpose of determining the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors on the basis of mortality tables, such other tables as may be necessary and the interest assumption rate recommended by the actuary based upon actual experience including an assumed annual post-retirement allowance increase of four percent (4%). The Board of Trustees shall modify such factors every five years, as shall be deemed necessary, based upon the five year experience study as required by G.S. 128-29(o). Provided, however, a member who transfers his eligible accumulated contributions from the Supplemental Retirement Income Plan of North Carolina shall be taxed for North Carolina State Income tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the Supplemental Retirement Income Plan of North Carolina. The Local Governmental Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly."

**SECTION 11.(a)** G.S. 143-166.30(d) reads as rewritten:

"(d) Supplemental Retirement Income Plan for State Law-Enforcement Officers. – As of January 1, 1985, there shall be created a Supplemental Retirement Income Plan, hereinafter called the "Plan," established for the benefit of all law-enforcement officers employed by the State, who shall be participants. The Board of Trustees of the State Retirement System shall administer the Plan and shall, under the terms and conditions otherwise appearing herein, provide Plan benefits either (i) by establishing a separate trust fund in conformance with Section 401(a), Section 401(k) or other sections of the Internal Revenue Code of 1954 as amended or, (ii) by causing the Plan to affiliate with some master trust fund providing the same benefits for participants. The Plan shall be separate and apart from any retirement systems.

In addition to the contributions transferred from the Law-Enforcement Officers' Retirement System and the contributions otherwise provided for in this Article, participants may make

1 voluntary contributions to the Plan to be credited to the designated individual accounts of  
2 participants; provided, in no instance shall the total contributions by a participant exceed ten  
3 percent (10%) of a participant's compensation within any calendar year.

4 All contributions to the Plan shall be credited to the individual accounts of participants, and  
5 shall be fully and immediately vested in the name of the participant, and shall be invested  
6 according to each participant's election, as provided by the Board of Trustees, including but not  
7 limited to time deposits, and both fixed and variable investments. The Plan may provide for  
8 loans to participants, at reasonable rates of interest to be charged, from participants' individual  
9 accounts, and may provide for withdrawal of contributions on account of hardship.

10 The benefit to a participant in the Plan shall be either a lump-sum distribution or a  
11 distribution in periodic installments of the participant's account payable under retirement,  
12 disability, or termination of employment. Upon the death of a participant there shall be paid the  
13 same lump-sum distribution or periodic installments to the surviving spouse of the participant  
14 or otherwise to the participant's estate; provided, should a participant instruct the Board of  
15 Trustees in writing that he does not wish these benefits to be paid to his spouse or estate, then  
16 the benefits shall be paid to the person or persons as the participant may name for this purpose.

17 Upon retirement, a participant in the Plan may elect to transfer any portion of his eligible  
18 accumulated contributions, not including any Roth after-tax contributions and the earnings  
19 thereon, to the Teachers' and State Employees' Retirement System and receive, in addition to  
20 his basic service, early or disability retirement allowance a special retirement allowance which  
21 shall be based on his eligible accumulated account balance at the date of the transfer of the  
22 assets."

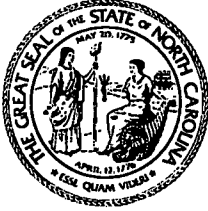
23 **SECTION 11.(b)** G.S. 143-166.50(e) reads as rewritten:

24 "(e) Supplemental Retirement Income Plan for Local Governmental Law-Enforcement  
25 Officers. – As of January 1, 1986, all law-enforcement officers employed by a local  
26 government employer, are participating members of the Supplemental Retirement Income Plan  
27 as provided by Article 5 of Chapter 135 of the General Statutes. In addition to the contributions  
28 transferred from the Law-Enforcement Officers' Retirement System, participants may make  
29 voluntary contributions to the Supplemental Retirement Income Plan to be credited to the  
30 designated individual accounts of participants; provided, in no instance shall the total  
31 contributions by a participant exceed ten percent (10%) of a participant's compensation within  
32 any calendar year. From July 1, 1987, until July 1, 1988, local government employers of law  
33 enforcement officers shall contribute an amount equal to at least two percent (2%) of  
34 participating local officers' monthly compensation to the Supplemental Retirement Income Plan  
35 to be credited to the designated individual accounts of participating local officers; and on and  
36 after July 1, 1988, local government employers of law enforcement officers shall contribute an  
37 amount equal to five percent (5%) of participating local officers' monthly compensation to the  
38 Supplemental Retirement Income Plan to be credited to the designated individual accounts of  
39 participating local officers.

40 Additional contributions shall also be made to the individual accounts of all participants in  
41 the Plan, except for Sheriffs, on a per capita equal-share basis from the sum of one dollar and  
42 twenty-five cents (\$1.25) for each cost of court collected under G.S. 7A-304.

43 Upon retirement, a participant in the Plan may elect to transfer any portion of his eligible  
44 accumulated contributions, not including any Roth after-tax contributions and the earnings  
45 thereon, to the Local Governmental Employees' Retirement System and receive, in addition to  
46 his basic service, early or disability retirement allowance a special retirement allowance which  
47 shall be based on his eligible accumulated account balance at the date of the transfer of the  
48 assets."

49 **SECTION 12.** This act becomes effective July 1, 2010.



# HOUSE BILL 2054: Retirement Technical Corrections

2009-2010 General Assembly

**Committee:** House Pensions and Retirement  
**Introduced by:** Rep. Tucker  
**Analysis of:** PCS to First Edition  
H2054-CSLL-61

**Date:** June 8, 2010  
**Prepared by:** Karen Cochrane-Brown  
Committee Counsel

**SUMMARY:** *House Bill 2054 makes technical and clarifying changes to the laws governing the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System.*

## BILL ANALYSIS:

**Section 1(a)** amends the law authorizing members of the Teachers' and State Employees' Retirement System to elect to receive an optional reduced retirement allowance in order to provide a survivor's benefit to a beneficiary upon the death of the retiree. This section clarifies that a member may not change the option or the designated beneficiary after the member has cashed the first retirement check or after the 25<sup>th</sup> day of the month following the month the first check was mailed, whichever comes first. This section also allows a member who has elected Option 5 to change the option or the designated beneficiary, if the spouse predeceases the member and the member remarries, or if the member divorces. The section also clarifies that only one person can be eligible to receive a refund of accumulated contributions when a member dies after the effective date of retirement but before receipt of the option election form.

**Section 1(b)** makes the identical amendments to the Local Governmental Employees' Retirement System.

**Section 2 (a)** clarifies the law governing the Survivor's Alternate Benefit by providing that the benefit is only payable if all four of the listed requirements are met, including that at the time of the member's death there is only one beneficiary eligible to receive the accumulated contributions, and that the member had not yet begun to receive a retirement allowance.

**Section 2(b)** makes the same change to the Local System.

**Section 3 (a)** clarifies that a former employee who has been approved for long term disability but is not yet receiving benefits because the member is receiving a payout for vacation and bonus leave, is nevertheless covered by the State Health Plan. This section also clarifies that former employee must have at least 5 years of contributory retirement service with an employing unit of a State supported retirement system in order to be eligible for coverage under the health plan.

**Section 3 (b)** allows a member who is on extended short-term disability to be eligible for the Death Benefit.

**Section 4(a)** allows a retiree who has returned to state service to elect to receive a refund of contributions paid during the period of reemployment when the retiree terminates employment.

**Section 4(b)** makes the same change to the Local System.

**Section 5 (a)** provides that an elected official who is convicted of a listed crime does not forfeit a return of member contributions plus interest.

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**Section 5(b)** makes the same change to the Local System.

**Section 6(a)** extends the period after which a member's failure to respond to a preliminary option calculation will void the option election from 90 to 120 days after the mailing of the option election form or the effective date of retirement, whichever is later

**Section 6(b)** makes the same change to the Local System.

**Section 7** provides that when Social Security disability benefits are increased by cost-of-living adjustments, the increased reduction of benefits under the Disability Income Plan will be applied in the first month following the month in which the member becomes entitled to the increased Social Security benefit.

**Section 8(a)** allows retroactive adjustment in the reporting of compensation when a member is awarded back pay in a case of wrongful demotion.

**Section 8(b)** makes the same change to the Local System.

**Section 9(a)** upon the death of retiree receiving a Special Retirement Allowance which is created by transferring a member's 401(k) contributions to the Retirement System, the member's designated beneficiary is eligible for an additional death benefit equal to the excess of employee contributions to the 401(k) plan over the total Special Retirement Allowance paid prior to the retiree's death.

**Section 9 (b)** makes the same change to the Local System.

**Section 10(a)** allows a state law enforcement officer to transfer a portion of the officer's accumulated contributions in the 401(k) plan to the Retirement System, rather than all or none.

**Section 10(b)** makes the same change to the Local System.

**Section 11(a)** makes a conforming change to the law governing the Supplemental Retirement Income Plan [401(k)] for state law enforcement officers.

**Section 11(b)** makes the same change to the Local System.

**EFFECTIVE DATE:** The act becomes effective July 1, 2010.

*H2054-SMRO-169(CSLL-61) v2*



new PCS

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

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HOUSE BILL 2054  
PROPOSED COMMITTEE SUBSTITUTE H2054-PCS30519-LL-61

Short Title: Retirement Technical Corrections. (Public)

Sponsors:

Referred to:

May 27, 2010

1 A BILL TO BE ENTITLED  
2 AN ACT TO MAKE TECHNICAL CORRECTIONS TO THE STATUTES GOVERNING  
3 THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE  
4 LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.  
5 The General Assembly of North Carolina enacts:  
6 SECTION 1.(a) G.S. 135-5(g) reads as rewritten:  
7 "(g) Election of Optional Allowance. – With the provision that until the first payment on  
8 account of any benefit becomes normally due, or his first retirement check has been cashed,  
9 any member may elect to receive his benefits in a retirement allowance payable throughout life,  
10 or he may elect to receive the actuarial equivalent of such retirement allowance, including any  
11 special retirement allowance, in a reduced allowance payable throughout life under the  
12 provisions of one of the options set forth below. The election of ~~Option 2 or Option 3~~ Option 2,  
13 3, or 6 or nomination of the person thereunder shall be revoked if such person nominated dies  
14 prior to the date the first payment becomes normally due or until the first retirement check has  
15 been cashed. Such election may be revoked by the member prior to the date the first payment  
16 becomes normally due or until his first retirement check has been cashed. Provided, however,  
17 in the event a member has elected ~~Option 2 or Option 3~~ Option 2, 3, or 5 and nominated his or  
18 her spouse to receive a retirement allowance upon the member's death, and the spouse  
19 predeceases the member after the first payment becomes normally due or the first retirement  
20 check has been cashed, if the member remarries he or she may request to nominate a new  
21 spouse to receive the retirement allowance under the previously elected option, within 90 days  
22 of the remarriage, and may nominate a new spouse to receive the retirement allowance under  
23 the previously elected option by written designation duly acknowledged and filed with the  
24 Board of Trustees within 120 days of the remarriage. The new nomination shall be effective on  
25 the first day of the month in which it is made and shall provide for a retirement allowance  
26 computed to be the actuarial equivalent of the retirement allowance in effect immediately prior  
27 to the effective date of the new nomination. Any member having elected ~~Options~~ Option 2, 3,  
28 5, or 6 and nominated his or her spouse to receive a retirement allowance upon the member's  
29 death may, after divorce from his or her spouse, revoke the nomination and elect a new option,  
30 effective on the first day of the month in which the new option is elected, providing for a  
31 retirement allowance computed to be the actuarial equivalent of the retirement allowance in  
32 effect immediately prior to the effective date of the new option. Except as provided in this  
33 section, the member may not change the member's retirement benefit option or the member's  
34 designated beneficiary for survivor benefits, if any, after the member has cashed the first



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1 retirement check or after the 25<sup>th</sup> day of the month following the month in which the first check  
2 is mailed, whichever comes first.

3 Option 1.(a) In the Case of a Member Who Retires prior to July 1, 1963. – If he dies  
4 before he has received in annuity payments the present value of his annuity  
5 as it was at the time of his retirement, the balance shall be paid to his legal  
6 representatives or to such person as he shall nominate by written  
7 designation duly acknowledged and filed with the Board of Trustees.

8 (b) In the Case of a Member Who Retires on or after July 1, 1963, but prior to  
9 July 1, 1993. – If he dies within 10 years from his retirement date, an  
10 amount equal to his accumulated contributions at retirement, less 1/120  
11 thereof for each month for which he has received a retirement allowance  
12 payment, shall be paid to his legal representatives or to such person as he  
13 shall nominate by written designation duly acknowledged and filed with  
14 the Board of Trustees; or

15 Option 2. Upon his death his reduced retirement allowance shall be continued throughout  
16 the life of and paid to such person as he shall nominate by written designation duly  
17 acknowledged and filed with the Board of Trustees at the time of his retirement, provided that  
18 if the person selected is other than his spouse the reduced retirement allowance payable to the  
19 member shall not be less than one half of the retirement allowance without optional  
20 modification which would otherwise be payable to him; or

21 Option 3. Upon his death, one half of his reduced retirement allowance shall be continued  
22 throughout the life of, and paid to such person as he shall nominate by written designation duly  
23 acknowledged and filed with the Board of Trustees at the time of his retirement; or

24 Option 4. Adjustment of Retirement Allowance for Social Security Benefits. – Until the  
25 first payment on account of any benefit becomes normally due, any member may elect to  
26 convert his benefit otherwise payable on his account after retirement into a retirement  
27 allowance of equivalent actuarial value of such amount that with his benefit under Title II of  
28 the Federal Social Security Act, he will receive, so far as possible, approximately the same  
29 amount per year before and after the earliest age at which he becomes eligible, upon application  
30 therefor, to receive a social security benefit.

31 Option 5. For Members Retiring Prior to July 1, 1993. – The member may elect to receive a  
32 reduced retirement allowance under the conditions of Option 2 or Option 3, as provided for  
33 above, with the modification that if both he and the person nominated die within 10 years from  
34 his retirement date, an amount equal to his accumulated contributions at retirement, less 1/120  
35 thereof for each month for which a retirement allowance has been paid, shall be paid to his  
36 legal representatives or to such person as he shall nominate by written designation duly  
37 acknowledged and filed with the Board of Trustees.

38 Option 6. A member may elect either Option 2 or Option 3 with the added provision that in  
39 the event the designated beneficiary predeceases the member, the retirement allowance payable  
40 to the member after the designated beneficiary's death shall be equal to the retirement  
41 allowance which would have been payable had the member not elected the option.

42 Upon the death of a member after the effective date of a retirement for which the member  
43 has been approved and following receipt by the Board of Trustees of an election of benefits  
44 (Form 6-E or Form 7-E) but prior to the cashing of the first benefit check, the retirement benefit  
45 shall be payable as provided by the member's election of benefits under this subsection.

46 Upon the death of a member after the effective date of a retirement for which the member  
47 has been approved but prior to the receipt by the Board of Trustees of an election of benefits  
48 (Form 6-E or Form 7-E), properly acknowledged and filed by the member, the member's  
49 designated beneficiary for a return of accumulated contributions may elect to receive the  
50 benefit, if only one beneficiary is ~~named for~~ eligible to receive the return of accumulated  
51 contributions. If more than one beneficiary is ~~named for~~ eligible to receive the return of

1 accumulated contributions, the administrator or executor of the member's estate will select an  
2 option and name the beneficiary or beneficiaries."

3 **SECTION 1.(b)** G.S. 128-27(g) reads as rewritten:

4 "(g) Election of Optional Allowance. – With the provision that until the first payment on  
5 account of any benefit becomes normally due, or his first retirement check has been cashed,  
6 any member may elect to receive his benefits in a retirement allowance payable throughout life,  
7 or he may elect to receive the actuarial equivalent of such retirement allowance, including any  
8 special retirement allowance, in a reduced allowance payable throughout life under the  
9 provisions of one of the Options set forth below. The election of ~~Option two or Option three~~  
10 Option 2, 3, or 6 or nomination of the person thereunder shall be revoked if such person  
11 nominated dies prior to the date the first payment becomes normally due or the first retirement  
12 check has been cashed. Such election may be revoked by the member prior to the date the first  
13 payment becomes normally due or his first retirement check has been cashed. Provided,  
14 however, in the event a member has elected ~~Option 2 or Option 3~~ Option 2, 3, or 5 and  
15 nominated his or her spouse to receive a retirement allowance upon the member's death, and the  
16 spouse predeceases the member after the first payment becomes normally due or the first  
17 retirement check has been cashed, if the member remarries he or she may request to nominate a  
18 new spouse to receive the retirement allowance under the previously elected option, within 90  
19 days of the remarriage, and may nominate a new spouse to receive the retirement allowance  
20 under the previously elected option by written designation duly acknowledged and filed with  
21 the Board of Trustees within 120 days of the remarriage. The new nomination shall be effective  
22 on the first day of the month in which it is made and shall provide for a retirement allowance  
23 computed to be the actuarial equivalent of the retirement allowance in effect immediately prior  
24 to the effective date of the new nomination. Any member having elected ~~Options two, three, or~~  
25 ~~six~~ Option 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement allowance upon  
26 the member's death may, after divorce from his or her spouse, revoke the nomination and elect  
27 a new option, effective on the first day of the month in which the new option is elected,  
28 providing for a retirement allowance computed to be the actuarial equivalent of the retirement  
29 allowance in effect immediately prior to the effective date of the new option. Except as  
30 provided in this section, the member may not change the member's retirement benefit option or  
31 the member's designated beneficiary for survivor benefits, if any, after the member has cashed  
32 the first retirement check or after the 25<sup>th</sup> day of the month following the month in which the  
33 first check is mailed, whichever comes first.

34 Option one.

35 (a) In the Case of a Member Who Retires prior to July 1, 1965. – If he dies  
36 before he has received in annuity payments the present value of his annuity  
37 as it was at the time of his retirement, the balance shall be paid to such  
38 person as he shall nominate by written designation duly acknowledged and  
39 filed with the Board of Trustees or, if none, to his legal representative.

40 (b) In the Case of a Member Who Retires on or after July 1, 1965, but prior to  
41 July 1, 1993. – If he dies within 10 years from his retirement date, an amount  
42 equal to his accumulated contributions at retirement, less one  
43 one-hundred-twentieth thereof for each month for which he has received a  
44 retirement allowance payment, shall be paid to such person as he shall  
45 nominate by written designation duly acknowledged and filed with the  
46 Board of Trustees or, if none, to his legal representative; or

47 Option two. Upon his death his reduced retirement allowance shall be continued throughout  
48 the life of and paid to such person as he shall nominate by written designation duly  
49 acknowledged and filed with the Board of Trustees at the time of his retirement, provided that  
50 if the person selected is other than his spouse the reduced retirement allowance payable to the

1 member shall not be less than one half of the retirement allowance without optional  
2 modification which would otherwise be payable to him; or

3 Option three. Upon his death, one half of his reduced retirement allowance shall be  
4 continued throughout the life of, and paid to such person as he shall nominate by written  
5 designation duly acknowledged and filed with the Board of Trustees at the time of his  
6 retirement; or

7 Option four. Adjustment of Retirement Allowance for Social Security Benefits. – Until the  
8 first payment on account of any benefit becomes normally due, any member may elect to  
9 convert his benefit otherwise payable on his account after retirement into a retirement  
10 allowance of equivalent actuarial value of such amount that with his benefit under Title II of  
11 the Federal Social Security Act, he will receive, so far as possible, approximately the same  
12 amount per year before and after the earliest age at which he becomes eligible, upon application  
13 therefor, to receive a social security benefit.

14 Option five. For Members Retiring prior to July 1, 1993. – The member may elect to  
15 receive a reduced retirement allowance under the conditions of Option two or Option three, as  
16 provided for above, with the modification that if both he and the person nominated die within  
17 10 years from his retirement date, an amount equal to his accumulated contributions at  
18 retirement, less 1/120th thereof for each month for which a retirement allowance has been paid,  
19 shall be paid to his legal representatives or to such person as he shall nominate by written  
20 designation duly acknowledged and filed with the Board of Trustees.

21 Option six. A member may elect either Option two or Option three with the added provision  
22 that in the event the designated beneficiary predeceases the member, the retirement allowance  
23 payable to the member after the designated beneficiary's death shall be equal to the retirement  
24 allowance which would have been payable had the member not elected the option.

25 Upon the death of a member after the effective date of a retirement for which the member  
26 has been approved and following receipt by the Board of Trustees of an election of benefits  
27 (Form 6-E or Form 7-E) but prior to the cashing of the first benefit check, the retirement benefit  
28 shall be payable as provided by the member's election of benefits under this subsection.

29 Upon the death of a member after the effective date of a retirement for which the member  
30 has been approved but prior to the receipt by the Board of Trustees of an election of benefits  
31 (Form 6-E or Form 7-E), properly acknowledged and filed by the member, the member's  
32 designated beneficiary for a return of accumulated contributions may elect to receive the  
33 benefit, if only one beneficiary is ~~named for~~ eligible to receive the return of accumulated  
34 contributions. If more than one beneficiary is ~~named for~~ eligible to receive the return of  
35 accumulated contributions, the administrator or executor of the member's estate will select an  
36 option and name the beneficiary or beneficiaries."

37 **SECTION 2.(a)** G.S. 135-5(m) reads as rewritten:

38 "(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the principal  
39 beneficiary designated to receive a return of accumulated contributions shall have the right to  
40 elect to receive in lieu thereof the reduced retirement allowance provided by Option 2 of  
41 subsection (g) above computed by assuming that the member had retired on the first day of the  
42 month following the date of his death, provided that all four of the following conditions apply:

- 43 (1) a. The member had attained such age and/or creditable service to be  
44 eligible to commence retirement with an early or service retirement  
45 allowance, or  
46 b. The member had obtained 20 years of creditable service in which  
47 case the retirement allowance shall be computed in accordance with  
48 G.S. 135-5(b19)(1)b. or G.S. 135-5(b19)(2)c., notwithstanding the  
49 requirement of obtaining age 50, or  
50 b1. The member was a law enforcement officer who had obtained 15  
51 years of service as a law enforcement officer and was killed in the

line of duty, in which case the retirement allowance shall be computed in accordance with G.S. 135-5(b19)(1)b., notwithstanding the requirement of obtaining age 50, 50.

e. ~~The member had not commenced to receive a retirement allowance as provided under this Chapter.~~

(2) ~~The member had designated as the principal beneficiary. At the time of the member's death, one and only one beneficiary is eligible to receive a return of his accumulated contributions one and only one person who was living at the time of his death.~~ contributions.

(3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection to apply.

(4) The member had not commenced to receive a retirement allowance as provided under this Chapter.

For the purpose of this benefit, a member is considered to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase. The term "in service" as used in this subsection includes a member in receipt of a benefit under the Disability Income Plan as provided in Article 6 of this Chapter.

Notwithstanding the foregoing, a member who is in receipt of Workers' Compensation during the period for which the member would have otherwise been eligible to receive short-term benefits, as provided in G.S. 135-105, and who dies on or after 181 days from the last day of the member's actual service but on or before the date the benefits as provided in G.S. 135-105 would have ended, shall be considered in service at the time of the member's death for the purpose of this benefit.

For the purpose of calculating this benefit any terminal payouts made after the date of death that meet the definition of compensation shall be credited to the month prior to the month of death. These terminal payouts do not include salary or wages paid for work performed during the month of death."

**SECTION 2.(b)** G.S. 128-27(m) reads as rewritten:

"(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the ~~principal~~ beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option two of subsection (g) above computed by assuming that the member had retired on the first day of the month following the date of his death, provided that all ~~three~~ four of the following conditions apply:

- (1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, or
- b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with G.S. 128-27(b21)(1)b. or G.S. 128-27(b21)(2)c., notwithstanding the requirement of obtaining age 50, or

b1. The member was a law enforcement officer who had obtained 15 years of service as a law enforcement officer and was killed in the line of duty, in which case the retirement allowance shall be computed in accordance with G.S. 128-27(b21)(1)b., notwithstanding the requirement of obtaining age 50, or 50.

e. ~~The member had not commenced to receive a retirement allowance as provided under this Chapter.~~

(2) ~~The member had designated as the principal beneficiary. At the time of the member's death, one and only one beneficiary is eligible to receive a return of his accumulated contributions one and only one person who is living at the time of his death.~~ contributions.

(3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection apply.

(4) The member had not commenced to receive a retirement allowance as provided under this Chapter.

For the purpose of this benefit, a member is considered to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase.

For the purpose of calculating this benefit, any terminal payouts made after the date of death that meet the definition of compensation shall be credited to the month prior to the month of death. These terminal payouts do not include salary or wages paid for work performed during the month of death."

**SECTION 3.(a)** G.S. 135-45.2(f) reads as rewritten:

"(f) Former employees who are receiving disability retirement benefits or disability income benefits pursuant to Article 6 of Chapter 135 of the General Statutes, Statutes or who are approved for those benefits but not in receipt of the benefits due to lump-sum payouts of vacation and bonus leave, provided the former employee has at least five years of retirement membership service, contributory retirement service with an employing unit of a State-supported retirement system, shall be eligible for the benefit provisions of this Plan, as set forth in this Part, on a noncontributory basis. Such coverage shall terminate as of the end of the month in which such former employee is no longer eligible for disability retirement benefits or disability income benefits pursuant to Article 6 of this Chapter."

**SECTION 3.(b)** G.S. 135-5(l) reads as rewritten:

"(l) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is separate and apart from the Retirement System and under which the members of the Retirement System shall participate and be eligible for group life insurance benefits. Upon receipt of proof, satisfactory to the Board of Trustees in their capacity as trustees under the Group Life Insurance Plan, of the death, in service, of a member who had completed at least one full calendar year of membership in the Retirement System, there shall be paid to such person as he shall have nominated by electronic submission prior to completing 10 years of service in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

(1) The compensation on which contributions were made by the member during the calendar year preceding the year in which his death occurs, or

(2) The greatest compensation on which contributions were made by the member during a 12-month period of service within the 24-month period of service ending on the last day of the month preceding the month in which his last day of actual service occurs;

(3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2. subject to a minimum of twenty-five thousand dollars (\$25,000) and to a maximum of fifty thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the payment of the member's accumulated contributions under the System on his death pursuant to the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be deemed to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service.

The death benefit provided in this subsection (l) shall not be payable, notwithstanding the member's compliance with all the conditions set forth in the preceding paragraph, if his death occurs

- (1) After December 31, 1968 and after he has attained age 70; or
- (2) After December 31, 1969 and after he has attained age 69; or
- (3) After December 31, 1970 and after he has attained age 68; or
- (4) After December 31, 1971 and after he has attained age 67; or
- (5) After December 31, 1972 and after he has attained age 66; or
- (6) After December 31, 1973 and after he has attained age 65; or
- (7) After December 31, 1978, but before January 1, 1987, and after he has attained age 70.

Notwithstanding the above provisions, the death benefit shall be payable on account of the death of any member who died or dies on or after January 1, 1974, but before January 1, 1979, after attaining age 65, if he or she had not yet attained age 65, if he or she had not yet attained age 66, was at the time of death completing the work year for those individuals under specific contract, or during the fiscal year for those individuals not under specific contract, in which he or she attained 65, and otherwise met all conditions for payment of the death benefit.

Notwithstanding the above provisions, the Board of Trustees may and is specifically authorized to provide the death benefit according to the terms and conditions otherwise appearing in this Plan in the form of group life insurance, either (i) by purchasing a contract or contracts of group life insurance with any life insurance company or companies licensed and authorized to transact business in this State for the purpose of insuring the lives of members in service, or (ii) by establishing a separate trust fund qualified under Section 501(c)(9) of the Internal Revenue Code of 1954, as amended, for such purpose. To that end the Board of Trustees is authorized, empowered and directed to investigate the desirability of utilizing group life insurance by either of the foregoing methods for the purpose of providing the death benefit. If a separate trust fund is established, it shall be operated in accordance with rules and regulations adopted by the Board of Trustees and all investment earnings on the trust fund shall be credited to such fund.

In administration of the death benefit the following shall apply:

- (1) For the purpose of determining eligibility only, in this subsection "calendar year" shall mean any period of 12 consecutive months or, if less, the period covered by an annual contract of employment. For all other purposes in this subsection "calendar year" shall mean the 12 months beginning January 1 and ending December 31.
- (2) Last day of actual service shall be:
  - a. When employment has been terminated, the last day the member actually worked.
  - b. When employment has not been terminated, the date on which an absent member's sick and annual leave expire, unless he is on

1 approved leave of absence and is in service under the provisions of  
2 G.S. 135-4(h).

3 c. When a participant's employment is interrupted by reason of service  
4 in the Uniformed Services, as that term is defined in section 4303(16)  
5 of the Uniformed Services Employment and Reemployment Rights  
6 Act, Public Law 103-353, and the participant does not return  
7 immediately after that service to employment with a covered  
8 employer in this System, the date on which the participant was first  
9 eligible to be separated or released from his or her involuntary  
10 military service.

11 (3) For a period when a member is on leave of absence, his status with respect to  
12 the death benefit will be determined by the provisions of G.S. 135-4(h).

13 (4) A member on leave of absence from his position as a teacher or State  
14 employee for the purpose of serving as a member or officer of the General  
15 Assembly shall be deemed to be in service during sessions of the General  
16 Assembly and thereby covered by the provisions of the death benefit. The  
17 amount of the death benefit for such member shall be the equivalent of the  
18 salary to which the member would have been entitled as a teacher or State  
19 employee during the 12-month period immediately prior to the month in  
20 which death occurred, not to be less than twenty-five thousand dollars  
21 (\$25,000) nor to exceed fifty thousand dollars (\$50,000).

22 The provisions of the Retirement System pertaining to Administration, G.S. 135-6, and  
23 management of funds, G.S. 135-7, are hereby made applicable to the Plan.

24 A member who is a beneficiary of the Disability Income Plan provided for in Article 6 of  
25 this Chapter, or a member who is in receipt of Workers' Compensation during the period for  
26 which he or she would have otherwise been eligible to receive short-term benefits or extended  
27 short-term benefits as provided in G.S. 135-105 and dies on or after 181 days from the last day  
28 of his or her actual service but prior to the date the benefits as provided in G.S. 135-105 would  
29 have ended, shall be eligible for group life insurance benefits as provided in this subsection,  
30 notwithstanding that the member is no longer an employee or teacher or that the member's  
31 death occurs after the eligibility period after active service. The basis of the death benefit  
32 payable hereunder shall be the higher of the death benefit computed as above or a death benefit  
33 based on compensation used in computing the benefit payable under G.S. 135-105 and  
34 G.S. 135-106, as may be adjusted for percentage post-disability increases, all subject to the  
35 maximum dollar limitation as provided above. A member in receipt of benefits from the  
36 Disability Income Plan under the provisions of G.S. 135-112 whose right to a benefit accrued  
37 under the former Disability Salary Continuation Plan shall not be covered under the provisions  
38 of this paragraph.

39 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
40 subsection, of the death of a retired member of the Retirement System on or after July 1, 1988,  
41 but before January 1, 1999, there shall be paid a death benefit to the surviving spouse of the  
42 deceased retired member or to the deceased retired member's legal representative if not  
43 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
44 has continuously made, in advance of his death required contributions as determined by the  
45 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
46 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
47 administered by the Board of Trustees separate and apart from the Retirement System's  
48 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum  
49 payment in the amount of five thousand dollars (\$5,000) upon the completion of twenty-four  
50 months of contributions required under this subsection. Should death occur before the  
51 completion of twenty-four months of contributions required under this subsection, the deceased



1 retired member's surviving spouse or legal representative if not survived by a spouse shall be  
2 paid the sum of the retired member's contributions required by this subsection plus interest to  
3 be determined by the Board of Trustees.

4 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
5 subsection, of the death of a retired member of the Retirement System on or after January 1,  
6 1999, but before July 1, 2004, there shall be paid a death benefit to the surviving spouse of the  
7 deceased retired member or to the deceased retired member's legal representative if not  
8 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
9 has continuously made, in advance of his death required contributions as determined by the  
10 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
11 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
12 administered by the Board of Trustees separate and apart from the Retirement System's  
13 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum  
14 payment in the amount of six thousand dollars (\$6,000) upon the completion of 24 months of  
15 contributions required under this subsection. Should death occur before the completion of 24  
16 months of contributions required under this subsection, the deceased retired member's surviving  
17 spouse or legal representative if not survived by a spouse shall be paid the sum of the retired  
18 member's contributions required by this subsection plus interest to be determined by the Board  
19 of Trustees.

20 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
21 subsection, of the death of a retired member of the Retirement System on or after July 1, 2004,  
22 but before July 1, 2007, there shall be paid a death benefit to the surviving spouse of the  
23 deceased retired member or to the deceased retired member's legal representative if not  
24 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
25 has continuously made, in advance of his death required contributions as determined by the  
26 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
27 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
28 administered by the Board of Trustees Fund and Pension Accumulation Fund. This death  
29 benefit shall be a lump-sum payment in the amount of nine thousand dollars (\$9,000) upon the  
30 completion of 24 months of contributions required under this subsection. Should death occur  
31 before the completion of 24 months of contributions required under this subsection, the  
32 deceased retired member's surviving spouse or legal representative if not survived by a spouse  
33 shall be paid the sum of the retired member's contributions required by this subsection plus  
34 interest to be determined by the Board of Trustees.

35 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
36 subsection, of the death of a retired member of the Retirement System on or after July 1, 2007,  
37 there shall be paid a death benefit to the surviving spouse of the deceased retired member or to  
38 the deceased retired member's legal representative if not survived by a spouse; provided the  
39 retired member has elected, when first eligible, to make, and has continuously made, in  
40 advance of his death required contributions as determined by the Board of Trustees on a fully  
41 contributory basis, through retirement allowance deductions or other methods adopted by the  
42 Board of Trustees, to a group death benefit trust fund administered by the Board of Trustees  
43 Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the  
44 amount of ten thousand dollars (\$10,000) upon the completion of 24 months of contributions  
45 required under this subsection. Should death occur before the completion of 24 months of  
46 contributions required under this subsection, the deceased retired member's surviving spouse or  
47 legal representative if not survived by a spouse shall be paid the sum of the retired member's  
48 contributions required by this subsection plus interest to be determined by the Board of  
49 Trustees."

50 **SECTION 4.(a)** G.S. 135-3(8)d. reads as rewritten:

"d. Should a beneficiary who retired on an early or service retirement allowance under this Chapter be restored to service as an employee or teacher, then the retirement allowance shall cease as of the first of the month following the month in which the beneficiary is restored to service and the beneficiary shall become a member of the Retirement System and shall contribute thereafter as allowed by law at the uniform contribution payable by all members.

Upon his subsequent retirement, he shall be paid a retirement allowance determined as follows:

1. For a member who earns at least three years' membership service after restoration to service, the retirement allowance shall be computed on the basis of his compensation and service before and after the period of prior retirement without restrictions; provided, that if the prior allowance was based on a social security leveling payment option, the allowance shall be adjusted actuarially for the difference between the amount received under the optional payment and what would have been paid if the retirement allowance had been paid without optional modification. In the alternative, the member may receive a refund of the member's accumulated contributions for the period of service after restoration to service in accordance with G.S. 135-5(f).

2. For a member who does not earn three years' membership service after restoration to service, the retirement allowance shall be equal to the sum of the retirement allowance to which he would have been entitled had he not been restored to service, without modification of the election of an optional allowance previously made, and the retirement allowance that results from service earned since being restored to service; provided, that if the prior retirement allowance was based on a social security leveling payment option, the prior allowance shall be adjusted actuarially for the difference between the amount that would have been paid for each month had the payment not been suspended and what would have been paid if the retirement allowance had been paid without optional modification. In the alternative, the member may receive a refund of the member's accumulated contributions for the period of service after restoration to service in accordance with G.S. 135-5(f), or the member may allow this new account to remain inactive."

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

"d. Should a beneficiary who retired on an early or service retirement allowance be restored to service as an employee, then the retirement allowance shall cease as of the first day of the month following the month in which the beneficiary is restored to service and the beneficiary shall become a member of the Retirement System and shall contribute thereafter as allowed by law at the uniform contribution payable by all members.

Upon his subsequent retirement, he shall be paid a retirement allowance determined as follows:

1. For a member who earns at least three years' membership service after restoration to service, the retirement allowance shall be computed on the basis of his compensation and service before and after the period of prior retirement without restriction; provided, that if the prior allowance was based on a social security leveling payment option, the allowance shall be adjusted actuarially for the difference between the amount received under the optional payment and what would have been paid if the retirement allowance had been paid without optional modification. In the alternative, the member may receive a refund of the member's accumulated contributions for the period of service after restoration to service in accordance with G.S. 128-27(f).
2. For a member who does not earn three years' membership service after restoration to service, the retirement allowance shall be equal to the sum of the retirement allowance to which he would have been entitled had he not been restored to service, without modification of the election of an optional allowance previously made, and the retirement allowance that results from service earned since being restored to service; provided, that if the prior retirement allowance was based on a social security leveling payment option, the prior allowance shall be adjusted actuarially for the difference between the amount that would have been paid for each month had the payment not been suspended and what would have been paid if the retirement allowance had been paid without optional modification. In the alternative, the member may receive a refund of the member's accumulated contributions for the period of service after restoration to service in accordance with G.S. 128-27(f), or the member may allow this new account to remain inactive."

**SECTION 5.(a)** G.S. 135-4(gg) reads as rewritten:

"(gg) If a member who is an elected government official and has not vested in this System on July 1, 2007, is convicted of an offense listed in G.S. 135-18.10 for acts committed after July 1, 2007, then that member shall forfeit all benefits under this System. System, except for a return of member contributions plus interest. If a member who is an elected government official and has vested in this System on July 1, 2007, is convicted of an offense listed in G.S. 135-18.10 for acts committed after July 1, 2007, then that member is not entitled to any creditable service that accrued after July 1, 2007. No member shall forfeit any benefit or creditable service earned from a position not as an elected government official."

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

"(w) If a member who is an elected government official and has not vested in this System on July 1, 2007, is convicted of an offense listed in G.S. 128-38.4 for acts committed after July 1, 2007, then that member shall forfeit all benefits under this System. System, except for a return of member contributions plus interest. If a member who is an elected government official and has vested in this System on July 1, 2007, is convicted of an offense listed in G.S. 128-38.4 for acts committed after July 1, 2007, then that member is not entitled to any creditable service that accrued after July 1, 2007. No member shall forfeit any benefit or creditable service earned from a position not as an elected government official."

**SECTION 6.(a)** G.S. 135-10.1 reads as rewritten:

"§ 135-10.1. Failure to respond.

1 If a member fails to respond ~~in any way~~ within 90 120 days after preliminary option figures  
2 and the Form 6-E or Form 7-E are mailed, or if a member fails to respond within 120 days after  
3 the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null and void;  
4 the retirement system shall not be liable for any benefits due on account of the voided  
5 application, and a new application must be filed establishing a subsequent effective date of  
6 retirement. If an applicant for disability retirement fails to furnish requested additional medical  
7 information within 90 days following such request, the application shall be declared null and  
8 void under the same conditions outlined above, unless the applicant is eligible for early or  
9 service retirement in which case the application shall be processed accordingly, using the same  
10 effective date as would have been used had the application for disability retirement been  
11 approved. The Director of the Retirement Systems Division, acting on behalf of the Board of  
12 Trustees, may extend the ~~90-day~~ 120-day limitation provided for in this section when a member  
13 has suffered incapacitation such that a reasonable person would not have expected the member  
14 to be able to complete the required paperwork within the regular deadline, or when an omission  
15 by the Retirement Systems Division prevents the member from having sufficient time to meet  
16 the regular deadline."

17 **SECTION 6.(b)** G.S. 128-32.1 reads as rewritten:

18 **"§ 128-32.1. Failure to respond.**

19 If a member fails to respond ~~in any way~~ within 90 120 days after preliminary option figures  
20 and the Form 6-E or Form 7-E are mailed, or if a member fails to respond within 120 days after  
21 the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null and void;  
22 the retirement system shall not be liable for any benefits due on account of the voided  
23 application, and a new application must be filed establishing a subsequent effective date of  
24 retirement. If an applicant for disability retirement fails to furnish requested additional medical  
25 information within 90 days following such request, the application shall be declared null and  
26 void under the same conditions outlined above, unless the applicant is eligible for early or  
27 service retirement in which case the application shall be processed accordingly, using the same  
28 effective date as would have been used had the application for disability retirement been  
29 approved. The Director of the Retirement Systems Division, acting on behalf of the Board of  
30 Trustees, may extend the ~~90-day~~ 120-day limitation provided for in this section when a member  
31 has suffered incapacitation such that a reasonable person would not have expected the member  
32 to be able to complete the required paperwork within the regular deadline, or when an omission  
33 by the Retirement Systems Division prevents the member from having sufficient time to meet  
34 the regular deadline."

35 **SECTION 7.** G.S. 135-106(b) reads as rewritten:

36 "(b) After the commencement of benefits under this section, the benefits payable under  
37 the terms of this section during the first 36 months of the long-term disability period shall be  
38 equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable  
39 to the participant or beneficiary prior to the beginning of the short-term disability period as may  
40 be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent  
41 (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would  
42 be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced  
43 by any primary Social Security disability benefits and by monthly payments for Workers'  
44 Compensation to which the participant or beneficiary may be entitled. When primary Social  
45 Security disability benefits are increased by cost-of-living adjustments, the increased reduction  
46 shall be applied in the first month following the month in which the member becomes entitled  
47 to the increased Social Security benefit. The monthly benefit shall be further reduced by the  
48 amount of any monthly payments from the federal Department of Veterans Affairs, any other  
49 federal agency or any payments made under the provisions of G.S. 127A-108, to which the  
50 participant or beneficiary may be entitled on account of the same disability. Provided, in any  
51 event, the benefit payable shall be no less than ten dollars (\$10.00) a month. However, a

disabled participant may elect to receive any salary continuation as provided in G.S. 135-104 in lieu of long-term disability benefits; provided such election shall not extend the first 36 consecutive calendar months of the long-term disability period. An election to receive any salary continuation for any part of any given day shall be in lieu of any long-term benefit payable for that day, provided further, any lump-sum payout for vacation leave shall be treated as if the beneficiary or participant had exhausted the leave and shall be in lieu of any long-term benefit otherwise payable. Provided that, in any event, a beneficiary's benefit shall be reduced during the first 36 months of the long-term disability period by an amount, as determined by the Board of Trustees, equal to a primary Social Security retirement benefit to which the beneficiary might be entitled.

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

Notwithstanding the foregoing, the long-term disability benefit is payable so long as the beneficiary is disabled and is in receipt of a primary Social Security disability benefit until the earliest date at which the beneficiary is eligible for an unreduced service retirement allowance from the Retirement System, at which time the beneficiary would receive a retirement allowance calculated on the basis of the beneficiary's average final compensation at the time of disability as adjusted to reflect compensation increases subsequent to the time of disability and the creditable service accumulated by the beneficiary, including creditable service while in receipt of benefits under the Plan. In the event the beneficiary has not been approved and is not in receipt of a primary Social Security disability benefit, the long-term disability benefit shall cease after the first 36 months of the long-term disability period. However, a beneficiary shall be entitled to a restoration of the long-term disability benefit in the event the Social Security Administration grants a retroactive approval for primary Social Security disability benefits with a benefit effective date within the first 36 months of the long-term disability period. In such event, the long-term disability benefit shall be restored retroactively to the date of cessation."

**SECTION 8.(a) G.S. 135-8(b2) reads as rewritten:**

"(b2) Retroactive Adjustment in Compensation or an Underreporting of Compensation. – A member or beneficiary who is awarded backpay in cases of a denied promotional opportunity or wrongful demotion in which the aggrieved member or beneficiary is granted a promotion or a demotion is reversed retroactively, or in cases in which an employer errs in the reporting of compensation, including the employee and employer contributions, the member or beneficiary and employer may make employee and employer contributions on the retroactive or additional compensation, after submitting clear and convincing evidence of the retroactive promotion or underreporting of compensation, as follows:

- (1) Within 90 days of the denial of the promotion or the error in reporting, by the payment of employee and employer contributions that would have been paid; or
- (2) After 90 days of the denial of the promotion or the error in reporting, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

For members or beneficiaries electing to make the employee contributions on the retroactive adjustment in compensation or on the underreported compensation, the member's or beneficiary's employer, which granted the retroactive promotion or erred in underreporting compensation and contributions, shall make the required employer contributions. Nothing contained in this subsection shall prevent an employer from paying all or a part of the interest assessed on the employee contributions; and to the extent paid by the employer, the interest paid by the employer shall be credited to the pension accumulation fund; provided, however, an employer does not discriminate against any member or beneficiary or group of members or beneficiaries in his employ in paying all or any part of the interest assessed on the employee contributions due.

In the event the retroactive adjustment in compensation or the underreported compensation is for a period that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5) the compensation the member or beneficiary would have received during the period shall be included in calculating the member's or beneficiary's average final compensation only in the event the appropriate employee and employer contributions are paid on such compensation.

An employer error in underreporting compensation shall not include a retroactive increase in compensation that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5) for reasons other than a wrongfully denied promotional opportunity or wrongful demotion where the member is promoted or the demotion is reversed retroactively."

**SECTION 8.(b)** G.S. 128-30(b2) reads as rewritten:

"(b2) Retroactive Adjustment in Compensation or an Underreporting of Compensation. – A member or beneficiary who is awarded backpay in cases of a denied promotional opportunity or wrongful demotion in which the aggrieved member or beneficiary is granted a promotion or a demotion is reversed retroactively, or in cases in which an employer errs in the reporting of compensation, including the employee and employer contributions, the member or beneficiary and employer may make employee and employer contributions on the retroactive or additional compensation after submitting clear and convincing evidence of the retroactive promotion or underreporting of compensation, as follows:

- (1) Within 90 days of the denial of the promotion or the error in reporting, by the payment of employee and employer contributions that would have been paid; or
- (2) After 90 days of the denial of the promotion or the error in reporting, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

For members or beneficiaries electing to make the employee contributions on the retroactive adjustment in compensation or on the underreported compensation, the member's or beneficiary's employer, which granted the retroactive promotion or erred in underreporting

1 compensation and contributions, shall make the required employer contributions. Nothing  
2 contained in this subsection shall prevent an employer from paying all or a part of the interest  
3 assessed on the employee contributions; and to the extent paid by the employer, the interest  
4 paid by the employer shall be credited to the pension accumulation fund; provided, however, an  
5 employer does not discriminate against any member or beneficiary or group of members or  
6 beneficiaries in his employ in paying all or any part of the interest assessed on the employee  
7 contributions due.

8 In the event the retroactive adjustment in compensation or the underreported compensation  
9 is for a period that occurs during the four consecutive calendar years that would have produced  
10 the highest average annual compensation pursuant to G.S. 135-1(5), the compensation the  
11 member or beneficiary would have received during the period shall be included in calculating  
12 the member's or beneficiary's average final compensation only in the event the appropriate  
13 employee and employer contributions are paid on such compensation.

14 An employer error in underreporting compensation shall not include a retroactive increase  
15 in compensation that occurs during the four consecutive calendar years that would have  
16 produced the highest average annual compensation pursuant to G.S. 135-1(5), for reasons other  
17 than a wrongfully denied promotional opportunity or wrongful demotion where the member is  
18 promoted or the demotion is reversed retroactively."

19 **SECTION 9.(a)** G.S. 135-5(g1) reads as rewritten:

20 "(g1) In the event of the death of a retired member while in receipt of a retirement  
21 allowance under the provisions of this Article, there shall be paid to such person or persons as  
22 the retiree shall have nominated by electronic submission in a form approved by the Board of  
23 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
24 such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
25 legal representatives, a death benefit equal to the excess, if any, of the accumulated  
26 contributions of the retiree at the date of retirement over the total of the retirement allowances  
27 paid prior to the death of the retiree. ~~For purposes of this paragraph, the term "accumulated~~  
28 ~~contributions" includes amounts of employee voluntary contributions that were transferred~~  
29 ~~from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at~~  
30 ~~retirement by eligible law enforcement officers. In the event that a retiree is receiving a Special~~  
31 Retirement Allowance under subsection (m1) of this section, there shall be paid to such person  
32 or persons as the retiree shall have nominated by electronic submission in a form approved by  
33 the Board of Trustees or by written designation duly acknowledged and filed with the Board of  
34 Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the  
35 retiree's legal representatives, an additional death benefit equal to the excess, if any, of the  
36 employee voluntary contributions that were transferred from the Supplemental Retirement  
37 Income Plan of North Carolina over the total of the Special Retirement Allowances paid prior  
38 to the death of the retiree.

39 In the event that a retirement allowance becomes payable to the designated survivor of a  
40 retired member under the provisions above and such retirement allowance to the survivor shall  
41 terminate upon the death of the survivor before the total of the retirement allowances paid to  
42 the retiree and the designated survivor combined equals the amount of the accumulated  
43 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
44 contributions over the total of the retirement allowances paid to the retiree and the survivor  
45 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
46 nominated by electronic submission in a form approved by the Board of Trustees or by written  
47 designation duly acknowledged and filed with the Board of Trustees, if such person or persons  
48 are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
49 purposes of this paragraph, the term "accumulated contributions" includes amounts of  
50 employee voluntary contributions that were transferred from the Supplemental Retirement

1 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
2 enforcement officers.

3 In the event that a retirement allowance becomes payable to the principal beneficiary  
4 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
5 section and that beneficiary dies before the total of the retirement allowances paid equals the  
6 amount of the accumulated contributions of the member at the date of the member's death, the  
7 excess of those accumulated contributions over the total of the retirement allowances paid to  
8 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
9 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
10 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
11 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
12 amounts of employee voluntary contributions that were transferred from the Supplemental  
13 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
14 law enforcement officers.

15 In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be  
16 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
17 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
18 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,  
19 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
20 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
21 total of the increase in the retirement allowance attributable to the additional creditable service,  
22 paid from the month following the month in which payment was received to the death of the  
23 retiree.

24 In the event that a retirement allowance becomes payable to the designated survivor of a  
25 retired member under the provisions above and such retirement allowance to the survivor shall  
26 terminate upon the death of the survivor before the total of the increase in the retirement  
27 allowance attributable to the additional creditable service paid to the retiree and the designated  
28 survivor combined equals the cost of the creditable service purchased less the administrative  
29 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
30 have nominated by electronic submission in a form approved by the Board of Trustees or by  
31 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
32 persons are living at the time such payment falls due, otherwise to the retiree's legal  
33 representative.

34 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
35 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
36 the member's estate."

37 **SECTION 9.(b)** G.S. 128-27(g1) reads as rewritten:

38 "(g1) In the event of the death of a retired member while in receipt of a retirement  
39 allowance under the provisions of this Article, there shall be paid to such person or persons as  
40 the retiree shall have nominated by electronic submission in a form approved by the Board of  
41 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
42 such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
43 legal representatives, a death benefit equal to the excess, if any, of the accumulated  
44 contributions of the retiree at the date of retirement over the total of the retirement allowances  
45 paid prior to the death of the retiree. ~~For purposes of this paragraph, the term "accumulated~~  
46 ~~contributions" includes amounts of employee voluntary contributions that were transferred~~  
47 ~~from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at~~  
48 ~~retirement by eligible law enforcement officers. In the event that a retiree is receiving a Special~~  
49 Retirement Allowance under subsection (m1) of this section, there shall be paid to such person  
50 or persons as the retiree shall have nominated by electronic submission in a form approved by  
51 the Board of Trustees or by written designation duly acknowledged and filed with the Board of



1 Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the  
2 retiree's legal representatives, an additional death benefit equal to the excess, if any, of the  
3 employee voluntary contributions that were transferred from the Supplemental Retirement  
4 Income Plan of North Carolina over the total of the Special Retirement Allowances paid prior  
5 to the death of the retiree.

6 In the event that a retirement allowance becomes payable to the designated survivor of a  
7 retired member under the provisions above and such retirement allowance to the survivor shall  
8 terminate upon the death of the survivor before the total of the retirement allowances paid to  
9 the retiree and the designated survivor combined equals the amount of the accumulated  
10 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
11 contributions over the total of the retirement allowances paid to the retiree and the survivor  
12 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
13 nominated by electronic submission in a form approved by the Board of Trustees or by written  
14 designation duly acknowledged and filed with the Board of Trustees, if such person or persons  
15 are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
16 purposes of this paragraph, the term "accumulated contributions" includes amounts of  
17 employee voluntary contributions that were transferred from the Supplemental Retirement  
18 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
19 enforcement officers.

20 In the event that a retirement allowance becomes payable to the principal beneficiary  
21 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
22 section and that beneficiary dies before the total of the retirement allowances paid equals the  
23 amount of the accumulated contributions of the member at the date of the member's death, the  
24 excess of those accumulated contributions over the total of the retirement allowances paid to  
25 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
26 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
27 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
28 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
29 amounts of employee voluntary contributions that were transferred from the Supplemental  
30 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
31 law enforcement officers.

32 In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be  
33 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
34 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
35 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,  
36 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
37 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
38 total of the increase in the retirement allowance attributable to the additional creditable service,  
39 paid from the month following the month in which payment was received to the death of the  
40 retiree.

41 In the event that a retirement allowance becomes payable to the designated survivor of a  
42 retired member under the provisions above, and such retirement allowance to the survivor shall  
43 terminate upon the death of the survivor before the total of the increase in the retirement  
44 allowance attributable to the additional creditable service paid to the retiree and the designated  
45 survivor combined equals the cost of the creditable service purchased less the administrative  
46 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
47 have nominated by electronic submission in a form approved by the Board of Trustees or by  
48 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
49 persons are living at the time such payment falls due, otherwise to the retiree's legal  
50 representative.

1 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
2 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
3 the member's estate."

4 **SECTION 10.(a)** G.S. 135-5(m1) reads as rewritten:

5 "(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a  
6 member who is a law enforcement officer may elect to transfer any portion of his eligible  
7 accumulated contributions, not including any Roth after-tax contributions and the earnings  
8 thereon, from the Supplemental Retirement Income Plan of North Carolina to this Retirement  
9 System and receive, in addition to his basic service, early or disability retirement allowance, a  
10 special retirement allowance which shall be based upon his eligible accumulated account  
11 balance at the date of the transfer of the assets to this System. For the purpose of determining  
12 the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors  
13 on the basis of mortality tables, such other tables as may be necessary and the interest  
14 assumption rate recommended by the actuary based upon actual experience including an  
15 assumed annual post-retirement allowance increase of four percent (4%). The Board of  
16 Trustees shall modify such factors every five years, as shall be deemed necessary, based upon  
17 the five year experience study as required by G.S. 135-6(n). Provided, however, a member,  
18 who transfers his eligible accumulated contributions from the Supplemental Retirement Income  
19 Plan of North Carolina, shall be taxed for North Carolina State Income tax purposes on the  
20 special retirement allowance the same as if that special retirement allowance had been paid  
21 directly by the Supplemental Retirement Income Plan of North Carolina. The Teachers' and  
22 State Employees' Retirement System shall be responsible to determine the taxable amount, if  
23 any, and report accordingly."

24 **SECTION 10.(b)** G.S. 128-27(m1) reads as rewritten:

25 "(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a  
26 member who is a law enforcement officer may elect to transfer any portion of his eligible  
27 accumulated contributions, not including any Roth after-tax contributions and the earnings  
28 thereon, from the Supplemental Retirement Income Plan of North Carolina to this Retirement  
29 System and receive, in addition to his basic service, early or disability retirement allowance, a  
30 special retirement allowance which shall be based upon his eligible accumulated account  
31 balance at the date of the transfer of the assets to this System. For the purpose of determining  
32 the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors  
33 on the basis of mortality tables, such other tables as may be necessary and the interest  
34 assumption rate recommended by the actuary based upon actual experience including an  
35 assumed annual post-retirement allowance increase of four percent (4%). The Board of  
36 Trustees shall modify such factors every five years, as shall be deemed necessary, based upon  
37 the five year experience study as required by G.S. 128-29(o). Provided, however, a member  
38 who transfers his eligible accumulated contributions from the Supplemental Retirement Income  
39 Plan of North Carolina shall be taxed for North Carolina State Income tax purposes on the  
40 special retirement allowance the same as if that special retirement allowance had been paid  
41 directly by the Supplemental Retirement Income Plan of North Carolina. The Local  
42 Governmental Employees' Retirement System shall be responsible to determine the taxable  
43 amount, if any, and report accordingly."

44 **SECTION 11.(a)** G.S. 143-166.30(d) reads as rewritten:

45 "(d) Supplemental Retirement Income Plan for State Law-Enforcement Officers. – As of  
46 January 1, 1985, there shall be created a Supplemental Retirement Income Plan, hereinafter  
47 called the "Plan," established for the benefit of all law-enforcement officers employed by the  
48 State, who shall be participants. The Board of Trustees of the State Retirement System shall  
49 administer the Plan and shall, under the terms and conditions otherwise appearing herein,  
50 provide Plan benefits either (i) by establishing a separate trust fund in conformance with  
51 Section 401(a), Section 401(k) or other sections of the Internal Revenue Code of 1954 as

1 amended or, (ii) by causing the Plan to affiliate with some master trust fund providing the same  
2 benefits for participants. The Plan shall be separate and apart from any retirement systems.

3 In addition to the contributions transferred from the Law-Enforcement Officers' Retirement  
4 System and the contributions otherwise provided for in this Article, participants may make  
5 voluntary contributions to the Plan to be credited to the designated individual accounts of  
6 participants; provided, in no instance shall the total contributions by a participant exceed ten  
7 percent (10%) of a participant's compensation within any calendar year.

8 All contributions to the Plan shall be credited to the individual accounts of participants, and  
9 shall be fully and immediately vested in the name of the participant, and shall be invested  
10 according to each participant's election, as provided by the Board of Trustees, including but not  
11 limited to time deposits, and both fixed and variable investments. The Plan may provide for  
12 loans to participants, at reasonable rates of interest to be charged, from participants' individual  
13 accounts, and may provide for withdrawal of contributions on account of hardship.

14 The benefit to a participant in the Plan shall be either a lump-sum distribution or a  
15 distribution in periodic installments of the participant's account payable under retirement,  
16 disability, or termination of employment. Upon the death of a participant there shall be paid the  
17 same lump-sum distribution or periodic installments to the surviving spouse of the participant  
18 or otherwise to the participant's estate; provided, should a participant instruct the Board of  
19 Trustees in writing that he does not wish these benefits to be paid to his spouse or estate, then  
20 the benefits shall be paid to the person or persons as the participant may name for this purpose.

21 Upon retirement, a participant in the Plan may elect to transfer any portion of his eligible  
22 accumulated contributions, not including any Roth after-tax contributions and the earnings  
23 thereon, to the Teachers' and State Employees' Retirement System and receive, in addition to  
24 his basic service, early or disability retirement allowance a special retirement allowance which  
25 shall be based on his eligible accumulated account balance at the date of the transfer of the  
26 assets."

27 **SECTION 11.(b)** G.S. 143-166.50(e) reads as rewritten:

28 "(e) Supplemental Retirement Income Plan for Local Governmental Law-Enforcement  
29 Officers. – As of January 1, 1986, all law-enforcement officers employed by a local  
30 government employer, are participating members of the Supplemental Retirement Income Plan  
31 as provided by Article 5 of Chapter 135 of the General Statutes. In addition to the contributions  
32 transferred from the Law-Enforcement Officers' Retirement System, participants may make  
33 voluntary contributions to the Supplemental Retirement Income Plan to be credited to the  
34 designated individual accounts of participants; provided, in no instance shall the total  
35 contributions by a participant exceed ten percent (10%) of a participant's compensation within  
36 any calendar year. From July 1, 1987, until July 1, 1988, local government employers of law  
37 enforcement officers shall contribute an amount equal to at least two percent (2%) of  
38 participating local officers' monthly compensation to the Supplemental Retirement Income Plan  
39 to be credited to the designated individual accounts of participating local officers; and on and  
40 after July 1, 1988, local government employers of law enforcement officers shall contribute an  
41 amount equal to five percent (5%) of participating local officers' monthly compensation to the  
42 Supplemental Retirement Income Plan to be credited to the designated individual accounts of  
43 participating local officers.

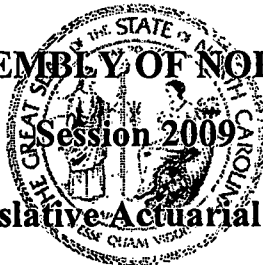
44 Additional contributions shall also be made to the individual accounts of all participants in  
45 the Plan, except for Sheriffs, on a per capita equal-share basis from the sum of one dollar and  
46 twenty-five cents (\$1.25) for each cost of court collected under G.S. 7A-304.

47 Upon retirement, a participant in the Plan may elect to transfer any portion of his eligible  
48 accumulated contributions, not including any Roth after-tax contributions and the earnings  
49 thereon, to the Local Governmental Employees' Retirement System and receive, in addition to  
50 his basic service, early or disability retirement allowance a special retirement allowance which

1 shall be based on his eligible accumulated account balance at the date of the transfer of the  
2 assets."

3 **SECTION 12.** This act becomes effective July 1, 2010.

# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

### HEALTH BENEFITS

**BILL NUMBER:** Proposed Committee Substitute H2054-CSLL-61 [v.1]

**SHORT TITLE:** Retirement Technical Corrections.

**SPONSOR(S):**

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**SYSTEM OR PROGRAM AFFECTED:** State Health Plan for Teachers and State Employees (Plan).

**FUNDS AFFECTED:** State General Fund, State Highway Fund, other State employer receipts; premium payments for dependents of active employees and retired employees of State agencies and universities, local public schools and local community colleges; premium payments for coverages selected by eligible former employees; premium payments for coverages selected by firefighters, rescue squad workers, members of the National Guard, and certain authorized local governments.

**BILL SUMMARY:** Section 3(a) of the Proposed Committee Substitute to HB 2054, with the short title "Retirement Technical Corrections", amends G.S.135-42(f) of the State Health Plan's governing statute with regard to eligibility for non-contributory coverage.

The proposed change would allow an employee, who qualifies for long-term disability benefits, and receives a lump-sum payout of annual or bonus leave at the time they terminate from active employment as a result of being deemed disabled, to remain eligible for non-contributory coverage under the Plan in order to prevent the employee from having a short gap in health benefit coverage prior to receiving long-term benefits under the Disability Income Plan. The gap in coverage can occur during the period a lump-sum payout of leave would have covered (had the leave been exhausted) because the Disability Income Plan offsets the beginning of long-term disability payments, and non-contributory health benefit coverage, by the number of leave days associated with the calculation of a lump-sum payout of leave to a disabled employee. The effect of the language is to allow the Disability Income Plan to begin non-contributory health benefit coverage for an employee qualifying for long-term disability benefits at the time of termination from active employment.

**EFFECTIVE DATE:** July 1, 2010

Aon Consulting, the consulting actuary for the State Health Plan for Teachers and State Employees, estimates that the bill's requirements will have not have a fiscal impact on the Plan.

Hartman & Associates, the consulting actuary for the General Assembly's Fiscal Research Division, estimates that the bill will have not a material financial impact on the Plan.

**ASSUMPTIONS AND METHODOLOGY:** The actuarial analyses used by each respective consulting actuary are on file with the Fiscal Research Division. Copies of each respective consulting actuary's analysis, including assumptions, are also attached to the original copy of this Legislative Actuarial note.

## **Summary Information and Data about the Plan**

The Plan administers health benefit coverage for active employees from employing units of State agencies and departments, universities, local public schools, and local community colleges. Eligible retired employees of authorized employing units may also access health benefit coverage under the Plan. Eligible dependents of active and retired employees are authorized to participate in the Plan provided they meet certain requirements. Employees and retired employees of selected local governments may also participate in the Plan under certain conditions. Members of fire, rescue squads, and the National Guard may also obtain coverage under the Plan provided they meet certain eligibility criteria.

As of July 1, 2009, the State finances the Plan on a self-funded basis and administers benefit coverage under a Preferred Provider Option (PPO) arrangement. The Plan's receipts are derived through premium contributions, investment earnings and other receipts. Premiums for health benefit coverage are paid by (1) employing agencies for active employees, (2) the Retiree Health Benefit Fund for retired employees, and (3) employees and retirees who elect dependent coverage. Total *revised* requirements for the Plan are estimated to be \$2.55 billion for FY 2009-10 and \$2.74 billion for FY 2010-11. The Plan's PPO benefit design includes two alternative benefit levels listed below:

- 1) The "Basic" 70/30 plan that offers higher out-of-pocket requirements in return for lower fully contributory dependent premiums; and
- 2) The "Standard" 80/20 plan.

The Basic and Standard plans offer coverage to employees and retired employees on a noncontributory basis. Coverage for dependents under both plans is offered on a fully contributory basis.

## **Financial Condition**

**Revised Financial Projection 2009-11 Biennium** – The following summarizes a revised financial projection as conducted by the Plan's consulting actuary, Aon Consulting, for the 2009-11 biennium. The information is provided by fiscal year based on year-to-date financial experience (through March 2010) and other updated factors.

For the fiscal year beginning July 1, 2009, the Plan began its operations with a beginning cash balance of \$189.9 million. Receipts for the year are projected to be \$2.41 billion from net premium collections, \$74.4 million from Medicare Part D subsidies, and \$3.4 million from investment earnings for a total of approximately \$2.49 billion in receipt income for the year. Projected disbursements from the Plan are expected to be \$2.39 billion in net claim-payment expenses and \$164.1 million in administration and claims-processing expenses for projected total expenses of nearly \$2.55 billion for FY 2009-10. The Plan's net operating loss is projected to be approximately \$66.3 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2009.

For the fiscal year beginning July 1, 2010, the Plan is projected to begin its operations with a beginning cash balance of \$123.6 million. Receipts for the year are projected to be \$2.68 billion from net premium collections, \$56.1 million from Medicare Part D subsidies, and \$2.7 million from investment earnings for a total of approximately \$2.73 billion in receipt income for the year. Projected disbursements from the Plan are expected to be \$2.55 billion in net claim-payment expenses and \$191.7 million in administration and claims-processing expenses for projected total expenses of nearly \$2.74 billion for FY 2010-11. The

Plan's net operating loss is projected to be approximately \$7.1 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2010.

Based on the revised financial projection (May 2010), the Plan's estimated ending cash balance on June 30, 2011 is projected to be \$116.5 million. This amount is approximately \$75.7 million less than the originally projected (April 2009) ending cash balance of \$192.2 million.

**Original Financial Projection 2009-11 Biennium (April 2009)** – Session Law 2009-16 (Senate Bill 287) appropriated funds from various sources, authorized annual premium rate increases, made various benefit and provider related changes to achieve financial savings, and directed other various changes to the Plan. The enacted law also appropriated the sum of \$250 million from the Savings Reserve Account ("Rainy Day Fund") of the General Fund for the 2008-09 fiscal year. The following summarizes the original financial projection by fiscal year for the 2009-11 biennium and assumes the changes enacted in Session Law 2009-16 (Senate Bill 287).

For the fiscal year beginning July 1, 2009, the Plan was projected to begin its operations with a beginning cash balance of \$146.9 million. Receipts for the year were projected to be \$2.4 billion from net premium collections, \$56.3 million from Medicare Part D subsidies, and \$8.0 million from investment earnings for a total of approximately \$2.5 billion in receipt income for the year. Projected disbursements from the Plan were expected to be \$2.3 billion in net claim-payment expenses and \$185.6 million in administration and claims-processing expenses for projected total expenses of nearly \$2.5 billion for FY 2009-10. The Plan's net operating income was projected to be approximately \$14.8 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2009.

For the fiscal year beginning July 1, 2010, the Plan was projected to begin its operations with a beginning cash balance of \$161.6 million. Receipts for the year were projected to be \$2.7 billion from net premium collections, \$50.4 million from Medicare Part D subsidies, and \$8.8 million from investment earnings for a total of approximately \$2.7 billion in receipt income for the year. Projected disbursements from the Plan were expected to be \$2.5 billion in net claim-payment expenses and \$191.7 million in administration and claims-processing expenses for projected total expenses of nearly \$2.7 billion for FY 2010-11. The Plan's net operating income was projected to be approximately \$30.6 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2010.

### **Other Information**

Historically, the Plan has applied a premium increase in October of the first fiscal year of a biennium. However, the annual premium increases authorized in Session Law 2009-16 (Senate Bill 287) changes that methodology to an annual increase at the beginning of each fiscal year of the 2009-11 biennium.

Additional assumptions include Medicare benefit "carve-outs," cost containment strategies including prior approval for certain medical services, utilization of the "Blue Options" provider network, case and disease management for selected medical conditions, mental health case management, coordination of benefits with other payers, a prescription drug benefit manager with manufacturer rebates from formularies, and fraud detection, and other authorized actions by the Executive Administrator and Board of Trustees to manage the Plan to maintain and improve the Plan's operation and financial condition where possible. Claim cost trends are expected to increase at a rate of 9% annually according to the Plan's consulting actuary. Investment earnings are based upon a 4.5% return on available cash balances.

**Enrollment as of December 31, 2009**

<b>I. No. of Participants</b>	<b>Percent of Total</b>			
	<b>Basic</b>	<b>Standard</b>	<b>Total</b>	<b>Total</b>
<b>Actives</b>				
Employees	30	6	36	0.0%
Dependents	<u>49</u>	<u>10</u>	<u>59</u>	0.0%
Sub-total	79	16	95	0.1%
<b><u>Retired</u></b>				
Employees	2,074	151,395	153,469	85.3%
Dependents	1,313	18,075	19,388	<u>10.8%</u>
Sub-total	3,387	169,470	172,857	96.1%
<b><u>Former Employees with Continuation Coverage</u></b>				
Employees	121	3,120	3,241	1.8%
Dependents	87	749	836	<u>0.5%</u>
Sub-total	208	3,869	4,077	2.3%
<b><u>Firefighters, Rescue Squad &amp; National Guard</u></b>				
Employees	-	5	5	0.0%
Dependents	-	3	3	<u>0.0%</u>
Sub-total	-	8	8	0.0%
<b>Local Governments</b>				
Employees	91	1,829	1,920	1.1%
Dependents	<u>174</u>	<u>777</u>	<u>951</u>	<u>0.5%</u>
Sub-total	265	2,606	2,871	1.6%
<b><u>Total</u></b>				
Employees	2,316	156,355	158,671	88.2%
Dependents	<u>1,623</u>	<u>19,614</u>	<u>21,237</u>	<u>11.8%</u>
<b>Grand Total</b>	<b>3,939</b>	<b>175,969</b>	<b>179,908</b>	<b>100%</b>
<b>Percent of Total</b>	<b>2.2%</b>	<b>97.8%</b>	<b>100.0%</b>	



<b>II. Enrollment by Contract</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Employee Only	3,252	378,539	381,791
Employee Child(ren)	6,026	43,820	49,846
Employee Spouse	2,550	21,785	24,335
Employee Family	4,288	19,741	24,029
<b>Total</b>	<b>16,116</b>	<b>463,885</b>	<b>480,001</b>

<b>Percent Enrollment by Contract</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Employee Only	20.2%	81.6%	79.5%
Employee Child(ren)	37.4%	9.4%	10.4%
Employee Spouse	15.8%	4.7%	5.1%
Employee Family	26.6%	4.3%	5.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>III. Enrollment by Sex</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Female	22,479	390,209	412,688
Male	19,804	228,840	248,644
<b>Total</b>	<b>42,283</b>	<b>619,049</b>	<b>661,332</b>

<b>Percent Enrollment by Sex</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Female	53.2%	63.0%	62.4%
Male	46.8%	37.0%	37.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>IV. Enrollment by Age</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
19 & Under	17,315	95,431	112,746
20 to 29	3,311	57,142	60,453
30 to 44	9,555	120,292	129,847
45 to 54	6,455	108,447	114,902
55 to 64	4,090	128,933	133,023
65 & Over	1,557	108,804	110,361
<b>Total</b>	<b>42,283</b>	<b>619,049</b>	<b>661,332</b>

<b>Percent Enrollment by Age</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
19 & Under	41.0%	15.4%	17.0%
20 to 29	7.8%	9.2%	9.1%
30 to 44	22.6%	19.4%	19.6%
45 to 54	15.3%	17.5%	17.4%
55 to 64	9.7%	20.8%	20.1%
65 & Over	3.7%	17.6%	16.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>V. Retiree Enrollment by Category</b>	<b>Employee</b>	<b>Dependents</b>	<b>Total</b>
Non-Medicare Eligible	51,747	11,879	63,626
Medicare Eligible	101,722	7,509	109,231
<b>Total</b>	<b>153,469</b>	<b>19,388</b>	<b>172,857</b>

<b>III. Enrollment by Sex</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Female	-	-	-
Male	-	1	1
<b>Total</b>	<b>-</b>	<b>1</b>	<b>1</b>

<b>VI. Enrollment By Major Employer Groups</b>	<b>Employees</b>	<b>Dependents</b>	<b>Total</b>
State Agencies	75,367	34,645	110,012
UNC System	50,106	29,726	79,832
Local Public Schools	181,270	88,258	269,528
Local Community Colleges	14,623	7,524	22,147
Other			
Local Governments	1,920	951	2,871
COBRA	3,241	836	4,077
Nat. Guard, Fire & Rescue	5	3	8
Sub-total	5,166	1,790	6,956
Retirement System	153,469	19,388	172,857
<b>Total</b>	<b>480,001</b>	<b>181,331</b>	<b>661,332</b>

<b>Percent Enrollment by Major Employer Groups</b>	<b>Employees</b>	<b>Dependents</b>	<b>Total</b>
State Agencies	15.7%	19.1%	16.6%
UNC System	10.4%	16.4%	12.1%
Local Public Schools	37.8%	48.7%	40.8%
Local Community Colleges	3.0%	4.1%	3.3%
Other			
Local Governments	0.4%	0.5%	0.4%
COBRA	0.7%	0.5%	0.6%
Nat. Guard, Fire & Rescue	0.0%	0.0%	0.0%
Sub-total	1.1%	1.0%	1.1%
Retirement System	32.0%	10.7%	26.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**SOURCES OF DATA:**

-Actuarial Note, Hartman & Associates, "House Bill 2054 Proposed Committee Substitute (Section 3a): Retirement Technical Corrections", June 7, 2010, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, "House Bill 2054 Proposed Committee Substitute H2054-CSLL-61 [v.1]", June 7, 2010, original of which is on file with the State Health Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

**FISCAL RESEARCH DIVISION: (919) 733-4910**

**PREPARED BY:** Mark Trogon



**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division



**DATE:** June 8, 2010

# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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Phone: (336) 731-4038

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668 Link Road  
Lexington, NC 27295

June 7, 2010

Mr. Mark Trogdon  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: House Bill 2054 Proposed Committee Substitute (Section 3a): Retirement Technical Corrections

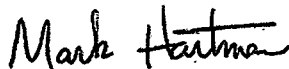
Dear Mr. Trogdon:

Section 3(a) of this proposed committee substitute to the bill amends G.S. 135-45.2(f) to correct an anomaly in eligibility for non-contributory coverage under the North Carolina State Health Plan for Teachers and State Employees. Currently, former employees who are receiving disability retirement or disability income benefits under Chapter 135 are eligible for non-contributory coverage under the Plan. However, in certain specific circumstances, a former employee could temporarily lose eligibility for this coverage if he received a lump sum payout of vacation or bonus leave during the transition from short-term to long-term disability coverage. This bill provides that such employees who are approved for benefits but not in receipt of benefits due to lump sum payouts of vacation and bonus leave remain eligible for non-contributory coverage. This bill is effective July 1, 2010.

The bill may change the payor of coverage for a small number of employees for short periods of time. It is not expected to have a material financial impact on the Plan.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

**NORTH CAROLINA STATE HEALTH PLAN  
FOR TEACHERS AND STATE EMPLOYEES**

**HOUSE BILL 2054  
PROPOSED COMMITTEE SUBSTITUTE H2054-CSLL-  
61 [V.1]**

**RETIREMENT TECHNICAL CORRECTIONS**

**Prepared by:**

**Aon Consulting  
One Piedmont Center  
3565 Piedmont Road, N.E.  
Atlanta, Georgia 30305**

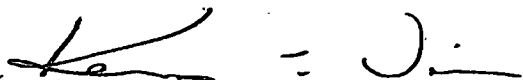
**June 2010**

## ACTUARIAL STATEMENT

The North Carolina State Health Plan for Teachers and State Employees has requested that Aon Consulting prepare an Actuarial Note in response to House Bill 2054 Proposed Committee Substitute H2054-CSLL-61 [v.1] entitled "An Act To Make Technical Corrections To The Statutes Governing The Teachers' And State Employees' Retirement System And The Local Governmental Employees' Retirement System."

The Actuarial Note was prepared according to generally accepted actuarial principles and practices, in compliance with General Statute 120-114. As required by statute, the Note includes an explanatory statement of the proposed change(s) and, to the extent possible, an estimate of the financial and actuarial effect of the proposed change(s) on the Plan. The Actuarial Note makes no comment or opinion with regard to the merits of the measure for which the Note is prepared; however, any identified technical or mechanical defects have been noted.

We have reviewed the input and results of our analysis for reasonableness, and relied upon the data and information provided by the Plan and their Claims Processing Contractor.



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Kenneth C. Vieira, F.S.A., M.A.A.A.  
Senior Vice President

June 7, 2010

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Date



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Kirsten R. Schatten, A.S.A., M.A.A.A.  
Assistant Vice President

June 7, 2010

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Date

## RETIREMENT TECHNICAL CORRECTIONS

### PLAN CHANGES

The proposed legislation makes technical changes to the laws governing the administration of retirement benefits effective July 1, 2010. The full text of the bill is attached to this actuarial note.

### PROJECTED COSTS

Plan Design Change	Based on "Midpoint" Increase (in millions)		
	2010-2011 Fiscal Year Cost	2011-2012 Fiscal Year Cost	Total Biennium Cost
Technical changes to the laws governing the administration of retirement benefits	No fiscal impact		

### PRICING APPROACH AND COMMENTS

The following information was compiled and utilized in determining the projected costs or savings of each benefit component addressed in this actuarial note:

- This bill makes technical changes to the statutes governing the administration of the retirement system that have no financial impact on the State Health Plan.

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

D

HOUSE BILL 2054  
PROPOSED COMMITTEE SUBSTITUTE H2054-CSLL-61 [v.1]

6/4/2010 2:14:08 PM

Short Title: Retirement Technical Corrections.

(Public)

Sponsors:

Referred to:

May 27, 2010

A BILL TO BE ENTITLED

AN ACT TO MAKE TECHNICAL CORRECTIONS TO THE STATUTES GOVERNING  
THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1.(a) G.S. 135-5(g) reads as rewritten:

"(g) Election of Optional Allowance. – With the provision that until the first payment on account of any benefit becomes normally due, or his first retirement check has been cashed, any member may elect to receive his benefits in a retirement allowance payable throughout life, or he may elect to receive the actuarial equivalent of such retirement allowance, including any special retirement allowance, in a reduced allowance payable throughout life under the provisions of one of the options set forth below. The election of Options 2, 3, or 6 or nomination of the person thereunder shall be revoked if such person nominated dies prior to the date the first payment becomes normally due or until the first retirement check has been cashed. Such election may be revoked by the member prior to the date the first payment becomes normally due or until his first retirement check has been cashed. Provided, however, in the event a member has elected Options 2, 3, or 5 and nominated his or her spouse to receive a retirement allowance upon the member's death, and the spouse predeceases the member after the first payment becomes normally due or the first retirement check has been cashed, if the member remarries he or she may request to nominate a new spouse to receive the retirement allowance under the previously elected option, within 90 days of the remarriage, and may nominate a new spouse to receive the retirement allowance under the previously elected option by written designation duly acknowledged and filed with the Board of Trustees within 120 days of the remarriage. The new nomination shall be effective on the first day of the month in which it is made and shall provide for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new nomination. Any member having elected Options 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement allowance upon the member's death may, after divorce from his or her spouse, revoke the nomination and elect a new option, effective on the first day of the month in which the new option is elected, providing for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new option. Except as provided in this section, the member may not change the member's retirement benefit option or the member's designated beneficiary for survivor benefits, if any, after the member has cashed the first retirement check or after the twenty-fifth day of the month following the month in which the first check is mailed, whichever comes first.

Deleted: Option 2 or Option 3

Deleted: Option 2 or Option 3



Option 1.(a) In the Case of a Member Who Retires prior to July 1, 1963. – If he dies before he has received in annuity payments the present value of his annuity as it was at the time of his retirement, the balance shall be paid to his legal representatives or to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees.

(b) In the Case of a Member Who Retires on or after July 1, 1963, but prior to July 1, 1993. – If he dies within 10 years from his retirement date, an amount equal to his accumulated contributions at retirement, less 1/120 thereof for each month for which he has received a retirement allowance payment, shall be paid to his legal representatives or to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees; or

Option 2. Upon his death his reduced retirement allowance shall be continued throughout the life of and paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees at the time of his retirement, provided that if the person selected is other than his spouse the reduced retirement allowance payable to the member shall not be less than one half of the retirement allowance without optional modification which would otherwise be payable to him; or

Option 3. Upon his death, one half of his reduced retirement allowance shall be continued throughout the life of, and paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees at the time of his retirement; or

Option 4. Adjustment of Retirement Allowance for Social Security Benefits. – Until the first payment on account of any benefit becomes normally due, any member may elect to convert his benefit otherwise payable on his account after retirement into a retirement allowance of equivalent actuarial value of such amount that with his benefit under Title II of the Federal Social Security Act, he will receive, so far as possible, approximately the same amount per year before and after the earliest age at which he becomes eligible, upon application therefor, to receive a social security benefit.

Option 5. For Members Retiring Prior to July 1, 1993. – The member may elect to receive a reduced retirement allowance under the conditions of Option 2 or Option 3, as provided for above, with the modification that if both he and the person nominated die within 10 years from his retirement date, an amount equal to his accumulated contributions at retirement, less 1/120 thereof for each month for which a retirement allowance has been paid, shall be paid to his legal representatives or to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees.

Option 6. A member may elect either Option 2 or Option 3 with the added provision that in the event the designated beneficiary predeceases the member, the retirement allowance payable to the member after the designated beneficiary's death shall be equal to the retirement allowance which would have been payable had the member not elected the option.

Upon the death of a member after the effective date of a retirement for which the member has been approved and following receipt by the Board of Trustees of an election of benefits (Form 6-E or Form 7-E) but prior to the cashing of the first benefit check, the retirement benefit shall be payable as provided by the member's election of benefits under this subsection.

Upon the death of a member after the effective date of a retirement for which the member has been approved but prior to the receipt by the Board of Trustees of an election of benefits (Form 6-E or Form 7-E), properly acknowledged and filed by the member, the member's designated beneficiary for a return of accumulated contributions may elect to receive the benefit, if only one beneficiary is eligible to receive the return of accumulated contributions. If more than one beneficiary is eligible to receive the return of accumulated contributions, the administrator or executor of the member's estate will select an option and name the beneficiary or beneficiaries."

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## SECTION 1.(b) G.S. 128-27(g) reads as rewritten:

"(g) Election of Optional Allowance. – With the provision that until the first payment on account of any benefit becomes normally due, or his first retirement check has been cashed, any member may elect to receive his benefits in a retirement allowance payable throughout life, or he may elect to receive the actuarial equivalent of such retirement allowance, including any special retirement allowance, in a reduced allowance payable throughout life under the provisions of one of the Options set forth below. The election of Options 2, 3, or 6 or nomination of the person thereunder shall be revoked if such person nominated dies prior to the date the first payment becomes normally due or the first retirement check has been cashed. Such election may be revoked by the member prior to the date the first payment becomes normally due or his first retirement check has been cashed. Provided, however, in the event a member has elected Options 2, 3, or 5 and nominated his or her spouse to receive a retirement allowance upon the member's death, and the spouse predeceases the member after the first payment becomes normally due or the first retirement check has been cashed, if the member remarries he or she may request to nominate a new spouse to receive the retirement allowance under the previously elected option, within 90 days of the remarriage, and may nominate a new spouse to receive the retirement allowance under the previously elected option by written designation duly acknowledged and filed with the Board of Trustees within 120 days of the remarriage. The new nomination shall be effective on the first day of the month in which it is made and shall provide for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new nomination. Any member having elected Options 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement allowance upon the member's death may, after divorce from his or her spouse, revoke the nomination and elect a new option, effective on the first day of the month in which the new option is elected, providing for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new option. Except as provided in this section, the member may not change the member's retirement benefit option or the member's designated beneficiary for survivor benefits, if any, after the member has cashed the first retirement check or after the twenty-fifth day of the month following the month in which the first check is mailed, whichever comes first.

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## Option one.

(a) In the Case of a Member Who Retires prior to July 1, 1965. – If he dies before he has received in annuity payments the present value of his annuity as it was at the time of his retirement, the balance shall be paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees or, if none, to his legal representative.

(b) In the Case of a Member Who Retires on or after July 1, 1965, but prior to July 1, 1993. – If he dies within 10 years from his retirement date, an amount equal to his accumulated contributions at retirement, less one one-hundred-twentieth thereof for each month for which he has received a retirement allowance payment, shall be paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees or, if none, to his legal representative; or

Option two. Upon his death his reduced retirement allowance shall be continued throughout the life of and paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees at the time of his retirement, provided that if the person selected is other than his spouse the reduced retirement allowance payable to the member shall not be less than one half of the retirement allowance without optional modification which would otherwise be payable to him; or

Option three. Upon his death, one half of his reduced retirement allowance shall be continued throughout the life of, and paid to such person as he shall nominate by written

1 designation duly acknowledged and filed with the Board of Trustees at the time of his  
2 retirement; or

3 Option four. Adjustment of Retirement Allowance for Social Security Benefits. – Until the  
4 first payment on account of any benefit becomes normally due, any member may elect to  
5 convert his benefit otherwise payable on his account after retirement into a retirement  
6 allowance of equivalent actuarial value of such amount that with his benefit under Title II of  
7 the Federal Social Security Act, he will receive, so far as possible, approximately the same  
8 amount per year before and after the earliest age at which he becomes eligible, upon application  
9 therefor, to receive a social security benefit.

10 Option five. For Members Retiring prior to July 1, 1993. – The member may elect to  
11 receive a reduced retirement allowance under the conditions of Option two or Option three, as  
12 provided for above, with the modification that if both he and the person nominated die within  
13 10 years from his retirement date, an amount equal to his accumulated contributions at  
14 retirement, less 1/120th thereof for each month for which a retirement allowance has been paid,  
15 shall be paid to his legal representatives or to such person as he shall nominate by written  
16 designation duly acknowledged and filed with the Board of Trustees.

17 Option six. A member may elect either Option two or Option three with the added provision  
18 that in the event the designated beneficiary predeceases the member, the retirement allowance  
19 payable to the member after the designated beneficiary's death shall be equal to the retirement  
20 allowance which would have been payable had the member not elected the option.

21 Upon the death of a member after the effective date of a retirement for which the member  
22 has been approved and following receipt by the Board of Trustees of an election of benefits  
23 (Form 6-E or Form 7-E) but prior to the cashing of the first benefit check, the retirement benefit  
24 shall be payable as provided by the member's election of benefits under this subsection.

25 Upon the death of a member after the effective date of a retirement for which the member  
26 has been approved but prior to the receipt by the Board of Trustees of an election of benefits  
27 (Form 6-E or Form 7-E), properly acknowledged and filed by the member, the member's  
28 designated beneficiary for a return of accumulated contributions may elect to receive the  
29 benefit, if only one beneficiary is eligible to receive the return of accumulated contributions. If  
30 more than one beneficiary is eligible to receive the return of accumulated contributions, the  
1 administrator or executor of the member's estate will select an option and name the beneficiary  
2 or beneficiaries."

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3 SECTION 2.(a) G.S. 135-5(m) reads as rewritten:

34 "(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the  
35 beneficiary designated to receive a return of accumulated contributions shall have the right to  
36 elect to receive in lieu thereof the reduced retirement allowance provided by Option 2 of  
37 subsection (g) above computed by assuming that the member had retired on the first day of the  
38 month following the date of his death, provided that all four of the following conditions apply:

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- 39 (1) a. The member had attained such age and/or creditable service to be  
40 eligible to commence retirement with an early or service retirement  
41 allowance, or  
42 b. The member had obtained 20 years of creditable service in which  
43 case the retirement allowance shall be computed in accordance with  
44 G.S. 135-5(b19)(1)b. or G.S. 135-5(b19)(2)c., notwithstanding the  
45 requirement of obtaining age 50, or  
46 b1. The member was a law enforcement officer who had obtained 15  
47 years of service as a law enforcement officer and was killed in the  
48 line of duty, in which case the retirement allowance shall be  
49 computed in accordance with G.S. 135-5(b19)(1)b., notwithstanding  
50 the requirement of obtaining age, 50.

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~~(2) At the time of the member's death, one and only one beneficiary is eligible to receive a return of his accumulated contributions.~~ (3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection to apply.

(4) The member had not commenced to receive a retirement allowance as provided under this Chapter.

For the purpose of this benefit, a member is considered to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase. The term "in service" as used in this subsection includes a member in receipt of a benefit under the Disability Income Plan as provided in Article 6 of this Chapter.

Notwithstanding the foregoing, a member who is in receipt of Workers' Compensation during the period for which the member would have otherwise been eligible to receive short-term benefits, as provided in G.S. 135-105, and who dies on or after 181 days from the last day of the member's actual service but on or before the date the benefits as provided in G.S. 135-105 would have ended, shall be considered in service at the time of the member's death for the purpose of this benefit.

For the purpose of calculating this benefit any terminal payouts made after the date of death that meet the definition of compensation shall be credited to the month prior to the month of death. These terminal payouts do not include salary or wages paid for work performed during the month of death."

**SECTION 2.(b) G.S. 128-27(m) reads as rewritten:**

"(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option two of subsection (g) above computed by assuming that the member had retired on the first day of the month following the date of his death, provided that all four of the following conditions apply:

- (1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, or
- b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with G.S. 128-27(b21)(1)b. or G.S. 128-27(b21)(2)c., notwithstanding the requirement of obtaining age 50, or
- b1. The member was a law enforcement officer who had obtained 15 years of service as a law enforcement officer and was killed in the line of duty, in which case the retirement allowance shall be computed in accordance with G.S. 128-27(b21)(1)b., notwithstanding the requirement of obtaining age 50.

~~(2) At the time of the member's death, one and only one beneficiary is eligible to receive a return of his accumulated contributions.~~ (3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection apply.

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Deleted: The member had not commenced to receive a retirement allowance as provided under this Chapter.

Deleted: The member had as the principal beneficiary

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Deleted: The member had not commenced to receive a retirement allowance as provided under this Chapter.

Deleted: The member had designated as the principal beneficiary

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(4) The member had not commenced to receive a retirement allowance as provided under this Chapter.

For the purpose of this benefit, a member is considered to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase.

For the purpose of calculating this benefit, any terminal payouts made after the date of death that meet the definition of compensation shall be credited to the month prior to the month of death. These terminal payouts do not include salary or wages paid for work performed during the month of death."

SECTION 3.(a) G.S. 135-45.2(f) reads as rewritten:

"(f) Former employees who are receiving disability retirement benefits or disability income benefits pursuant to Article 6 of Chapter 135 of the General ~~Statutes or who are approved for those benefits but not in receipt of the benefits due to lump sum payouts of vacation and bonus leave,~~ provided the former employee has at least five years of ~~contributory retirement service with an employing unit of a State-supported retirement system,~~ shall be eligible for the benefit provisions of this Plan, as set forth in this Part, on a noncontributory basis. Such coverage shall terminate as of the end of the month in which such former employee is no longer eligible for disability retirement benefits or disability income benefits pursuant to Article 6 of this Chapter."

Deleted: Statutes,

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SECTION 3.(b) G.S. 135-5(l) reads as rewritten:

"(l) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is separate and apart from the Retirement System and under which the members of the Retirement System shall participate and be eligible for group life insurance benefits. Upon receipt of proof, satisfactory to the Board of Trustees in their capacity as trustees under the Group Life Insurance Plan, of the death, in service, of a member who had completed at least one full calendar year of membership in the Retirement System, there shall be paid to such person as he shall have nominated by electronic submission prior to completing 10 years of service in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

- (1) The compensation on which contributions were made by the member during the calendar year preceding the year in which his death occurs, or
- (2) The greatest compensation on which contributions were made by the member during a 12-month period of service within the 24-month period of service ending on the last day of the month preceding the month in which his last day of actual service occurs;

(3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2. subject to a minimum of twenty-five thousand dollars (\$25,000) and to a maximum of fifty thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the payment of the member's accumulated contributions under the System on his death pursuant to the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be deemed to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service.

1 The death benefit provided in this subsection (l) shall not be payable, notwithstanding the  
2 member's compliance with all the conditions set forth in the preceding paragraph, if his death  
3 occurs

- 4 (1) After December 31, 1968 and after he has attained age 70; or
- 5 (2) After December 31, 1969 and after he has attained age 69; or
- 6 (3) After December 31, 1970 and after he has attained age 68; or
- 7 (4) After December 31, 1971 and after he has attained age 67; or
- 8 (5) After December 31, 1972 and after he has attained age 66; or
- 9 (6) After December 31, 1973 and after he has attained age 65; or
- 10 (7) After December 31, 1978, but before January 1, 1987, and after he has  
11 attained age 70.

12 Notwithstanding the above provisions, the death benefit shall be payable on account of the  
13 death of any member who died or dies on or after January 1, 1974, but before January 1, 1979,  
14 after attaining age 65, if he or she had not yet attained age 65, if he or she had not yet attained  
15 age 66, was at the time of death completing the work year for those individuals under specific  
16 contract, or during the fiscal year for those individuals not under specific contract, in which he  
17 or she attained 65, and otherwise met all conditions for payment of the death benefit.

18 Notwithstanding the above provisions, the Board of Trustees may and is specifically  
19 authorized to provide the death benefit according to the terms and conditions otherwise  
20 appearing in this Plan in the form of group life insurance, either (i) by purchasing a contract or  
21 contracts of group life insurance with any life insurance company or companies licensed and  
22 authorized to transact business in this State for the purpose of insuring the lives of members in  
23 service, or (ii) by establishing a separate trust fund qualified under Section 501(c)(9) of the  
24 Internal Revenue Code of 1954, as amended, for such purpose. To that end the Board of  
25 Trustees is authorized, empowered and directed to investigate the desirability of utilizing group  
26 life insurance by either of the foregoing methods for the purpose of providing the death benefit.  
27 If a separate trust fund is established, it shall be operated in accordance with rules and  
28 regulations adopted by the Board of Trustees and all investment earnings on the trust fund shall  
29 be credited to such fund.

30 In administration of the death benefit the following shall apply:

- 31 (1) For the purpose of determining eligibility only, in this subsection "calendar  
32 year" shall mean any period of 12 consecutive months or, if less, the period  
33 covered by an annual contract of employment. For all other purposes in this  
34 subsection "calendar year" shall mean the 12 months beginning January 1  
35 and ending December 31.
- 36 (2) Last day of actual service shall be:
  - 37 a. When employment has been terminated, the last day the member  
38 actually worked.
  - 39 b. When employment has not been terminated, the date on which an  
40 absent member's sick and annual leave expire, unless he is on  
41 approved leave of absence and is in service under the provisions of  
42 G.S. 135-4(h).
  - 43 c. When a participant's employment is interrupted by reason of service  
44 in the Uniformed Services, as that term is defined in section 4303(16)  
45 of the Uniformed Services Employment and Reemployment Rights  
46 Act, Public Law 103-353, and the participant does not return  
47 immediately after that service to employment with a covered  
48 employer in this System, the date on which the participant was first  
49 eligible to be separated or released from his or her involuntary  
50 military service.

- 1 (3) For a period when a member is on leave of absence, his status with respect to  
2 the death benefit will be determined by the provisions of G.S. 135-4(h).  
3 (4) A member on leave of absence from his position as a teacher or State  
4 employee for the purpose of serving as a member or officer of the General  
5 Assembly shall be deemed to be in service during sessions of the General  
6 Assembly and thereby covered by the provisions of the death benefit. The  
7 amount of the death benefit for such member shall be the equivalent of the  
8 salary to which the member would have been entitled as a teacher or State  
9 employee during the 12-month period immediately prior to the month in  
10 which death occurred, not to be less than twenty-five thousand dollars  
11 (\$25,000) nor to exceed fifty thousand dollars (\$50,000).

12 The provisions of the Retirement System pertaining to Administration, G.S. 135-6, and  
13 management of funds, G.S. 135-7, are hereby made applicable to the Plan.

14 A member who is a beneficiary of the Disability Income Plan provided for in Article 6 of  
15 this Chapter, or a member who is in receipt of Workers' Compensation during the period for  
16 which he or she would have otherwise been eligible to receive short-term benefits or extended  
17 short-term benefits as provided in G.S. 135-105 and dies on or after 181 days from the last day  
18 of his or her actual service but prior to the date the benefits as provided in G.S. 135-105 would  
19 have ended, shall be eligible for group life insurance benefits as provided in this subsection,  
20 notwithstanding that the member is no longer an employee or teacher or that the member's  
21 death occurs after the eligibility period after active service. The basis of the death benefit  
22 payable hereunder shall be the higher of the death benefit computed as above or a death benefit  
23 based on compensation used in computing the benefit payable under G.S. 135-105 and  
24 G.S. 135-106, as may be adjusted for percentage post-disability increases, all subject to the  
25 maximum dollar limitation as provided above. A member in receipt of benefits from the  
26 Disability Income Plan under the provisions of G.S. 135-112 whose right to a benefit accrued  
27 under the former Disability Salary Continuation Plan shall not be covered under the provisions  
28 of this paragraph.

29 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
30 subsection, of the death of a retired member of the Retirement System on or after July 1, 1988,  
31 but before January 1, 1999, there shall be paid a death benefit to the surviving spouse of the  
32 deceased retired member or to the deceased retired member's legal representative if not  
33 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
34 has continuously made, in advance of his death required contributions as determined by the  
35 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
36 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
37 administered by the Board of Trustees separate and apart from the Retirement System's  
38 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum  
39 payment in the amount of five thousand dollars (\$5,000) upon the completion of twenty-four  
40 months of contributions required under this subsection. Should death occur before the  
41 completion of twenty-four months of contributions required under this subsection, the deceased  
42 retired member's surviving spouse or legal representative if not survived by a spouse shall be  
43 paid the sum of the retired member's contributions required by this subsection plus interest to  
44 be determined by the Board of Trustees.

45 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
46 subsection, of the death of a retired member of the Retirement System on or after January 1,  
47 1999, but before July 1, 2004, there shall be paid a death benefit to the surviving spouse of the  
48 deceased retired member or to the deceased retired member's legal representative if not  
49 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
50 has continuously made, in advance of his death required contributions as determined by the  
51 Board of Trustees on a fully contributory basis, through retirement allowance deductions or

1 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
2 administered by the Board of Trustees separate and apart from the Retirement System's  
3 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum  
4 payment in the amount of six thousand dollars (\$6,000) upon the completion of 24 months of  
5 contributions required under this subsection. Should death occur before the completion of 24  
6 months of contributions required under this subsection, the deceased retired member's surviving  
7 spouse or legal representative if not survived by a spouse shall be paid the sum of the retired  
8 member's contributions required by this subsection plus interest to be determined by the Board  
9 of Trustees.

10 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
11 subsection, of the death of a retired member of the Retirement System on or after July 1, 2004,  
12 but before July 1, 2007, there shall be paid a death benefit to the surviving spouse of the  
13 deceased retired member or to the deceased retired member's legal representative if not  
14 survived by a spouse; provided the retired member has elected, when first eligible, to make, and  
15 has continuously made, in advance of his death required contributions as determined by the  
16 Board of Trustees on a fully contributory basis, through retirement allowance deductions or  
17 other methods adopted by the Board of Trustees, to a group death benefit trust fund  
18 administered by the Board of Trustees Fund and Pension Accumulation Fund. This death  
19 benefit shall be a lump-sum payment in the amount of nine thousand dollars (\$9,000) upon the  
20 completion of 24 months of contributions required under this subsection. Should death occur  
21 before the completion of 24 months of contributions required under this subsection, the  
22 deceased retired member's surviving spouse or legal representative if not survived by a spouse  
23 shall be paid the sum of the retired member's contributions required by this subsection plus  
24 interest to be determined by the Board of Trustees.

25 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
26 subsection, of the death of a retired member of the Retirement System on or after July 1, 2007,  
27 there shall be paid a death benefit to the surviving spouse of the deceased retired member or to  
28 the deceased retired member's legal representative if not survived by a spouse; provided the  
29 retired member has elected, when first eligible, to make, and has continuously made, in  
30 advance of his death required contributions as determined by the Board of Trustees on a fully  
31 contributory basis, through retirement allowance deductions or other methods adopted by the  
32 Board of Trustees, to a group death benefit trust fund administered by the Board of Trustees  
33 Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the  
34 amount of ten thousand dollars (\$10,000) upon the completion of 24 months of contributions  
35 required under this subsection. Should death occur before the completion of 24 months of  
36 contributions required under this subsection, the deceased retired member's surviving spouse or  
37 legal representative if not survived by a spouse shall be paid the sum of the retired member's  
38 contributions required by this subsection plus interest to be determined by the Board of  
39 Trustees."

40 **SECTION 4.(a) G.S. 135-3(8)d. reads as rewritten:**

41 "d. Should a beneficiary who retired on an early or service retirement  
42 allowance under this Chapter be restored to service as an employee  
43 or teacher, then the retirement allowance shall cease as of the first of  
44 the month following the month in which the beneficiary is restored to  
45 service and the beneficiary shall become a member of the Retirement  
46 System and shall contribute thereafter as allowed by law at the  
47 uniform contribution payable by all members.

48 Upon his subsequent retirement, he shall be paid a retirement  
49 allowance determined as follows:

- 50 1. For a member who earns at least three years' membership  
51 service after restoration to service, the retirement allowance



1 shall be computed on the basis of his compensation and  
2 service before and after the period of prior retirement without  
3 restrictions; provided, that if the prior allowance was based  
4 on a social security leveling payment option, the allowance  
5 shall be adjusted actuarially for the difference between the  
6 amount received under the optional payment and what would  
7 have been paid if the retirement allowance had been paid  
8 without optional modification. In the alternative, the member  
9 may receive a refund of the member's accumulated  
10 contributions for the period of service after restoration to  
11 service in accordance with G.S. 135-5(f).2. For a

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12 member who does not earn three years' membership service  
13 after restoration to service, the retirement allowance shall be  
14 equal to the sum of the retirement allowance to which he  
15 would have been entitled had he not been restored to service,  
16 without modification of the election of an optional allowance  
17 previously made, and the retirement allowance that results  
18 from service earned since being restored to service; provided,  
19 that if the prior retirement allowance was based on a social  
20 security leveling payment option, the prior allowance shall be  
21 adjusted actuarially for the difference between the amount  
22 that would have been paid for each month had the payment  
23 not been suspended and what would have been paid if the  
24 retirement allowance had been paid without optional  
25 modification. In the alternative, the member may receive a  
26 refund of the member's accumulated contributions for the  
27 period of service after restoration to service in accordance  
28 with G.S. 135-5(f), or the member may allow this new  
29 account to remain inactive."

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

31 "d. Should a beneficiary who retired on an early or service retirement  
32 allowance be restored to service as an employee, then the retirement  
33 allowance shall cease as of the first day of the month following the  
34 month in which the beneficiary is restored to service and the  
35 beneficiary shall become a member of the Retirement System and  
36 shall contribute thereafter as allowed by law at the uniform  
37 contribution payable by all members.

38 Upon his subsequent retirement, he shall be paid a retirement  
39 allowance determined as follows:

- 40 1. For a member who earns at least three years' membership  
41 service after restoration to service, the retirement allowance  
42 shall be computed on the basis of his compensation and  
43 service before and after the period of prior retirement without  
44 restriction; provided, that if the prior allowance was based on  
45 a social security leveling payment option, the allowance shall  
46 be adjusted actuarially for the difference between the amount  
47 received under the optional payment and what would have  
48 been paid if the retirement allowance had been paid without  
49 optional modification. In the alternative, the member may  
50 receive a refund of the member's accumulated contributions

1 for the period of service after restoration to service in  
2 accordance with G.S. 128-27(f).

- 3 2. For a member who does not earn three years' membership  
4 service after restoration to service, the retirement allowance  
5 shall be equal to the sum of the retirement allowance to which  
6 he would have been entitled had he not been restored to  
7 service, without modification of the election of an optional  
8 allowance previously made, and the retirement allowance that  
9 results from service earned since being restored to service;  
10 provided, that if the prior retirement allowance was based on  
11 a social security leveling payment option, the prior allowance  
12 shall be adjusted actuarially for the difference between the  
13 amount that would have been paid for each month had the  
14 payment not been suspended and what would have been paid  
15 if the retirement allowance had been paid without optional  
16 modification. In the alternative, the member may receive a  
17 refund of the member's accumulated contributions for the  
18 period of service after restoration to service in accordance  
19 with G.S. 128-27(f), or the member may allow this new  
20 account to remain inactive."

21 **SECTION 5.(a) G.S. 135-4(gg) reads as rewritten:**

22 "(gg) If a member who is an elected government official and has not vested in this System  
23 on July 1, 2007, is convicted of an offense listed in G.S. 135-18.10 for acts committed after  
24 July 1, 2007, then that member shall forfeit all benefits under this System, except for a return  
25 of member contributions plus interest. If a member who is an elected government official and  
26 has vested in this System on July 1, 2007, is convicted of an offense listed in G.S. 135-18.10  
27 for acts committed after July 1, 2007, then that member is not entitled to any creditable service  
28 that accrued after July 1, 2007. No member shall forfeit any benefit or creditable service earned  
29 from a position not as an elected government official."

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

31 "(w) If a member who is an elected government official and has not vested in this System  
32 on July 1, 2007, is convicted of an offense listed in G.S. 128-38.4 for acts committed after July  
33 1, 2007, then that member shall forfeit all benefits under this System, except for a return of  
34 member contributions plus interest. If a member who is an elected government official and has  
35 vested in this System on July 1, 2007, is convicted of an offense listed in G.S. 128-38.4 for acts  
36 committed after July 1, 2007, then that member is not entitled to any creditable service that  
37 accrued after July 1, 2007. No member shall forfeit any benefit or creditable service earned  
38 from a position not as an elected government official."

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39 **SECTION 6.(a) G.S. 135-10.1 reads as rewritten:**

40 **"§ 135-10.1. Failure to respond.**

41 If a member fails to respond within 120 days after preliminary option figures and the Form  
42 6-E or Form 7-E are mailed, or if a member fails to respond within 120 days after the effective  
43 date of retirement, whichever is later, the Form 6 or Form 7 shall be null and void; the  
44 retirement system shall not be liable for any benefits due on account of the voided application,  
45 and a new application must be filed establishing a subsequent effective date of retirement. If an  
46 applicant for disability retirement fails to furnish requested additional medical information  
47 within 90 days following such request, the application shall be declared null and void under the  
48 same conditions outlined above, unless the applicant is eligible for early or service retirement  
49 in which case the application shall be processed accordingly, using the same effective date as  
50 would have been used had the application for disability retirement been approved. The Director  
51 of the Retirement Systems Division, acting on behalf of the Board of Trustees, may extend the

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120-day limitation provided for in this section when a member has suffered incapacitation such that a reasonable person would not have expected the member to be able to complete the required paperwork within the regular deadline, or when an omission by the Retirement Systems Division prevents the member from having sufficient time to meet the regular deadline."

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SECTION 6.(b) G.S. 128-32.1 reads as rewritten:

"§ 128-32.1. Failure to respond.

If a member fails to respond within 120 days after preliminary option figures and the Form 6-E or Form 7-E are mailed, or if a member fails to respond within 120 days after the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null and void; the retirement system shall not be liable for any benefits due on account of the voided application, and a new application must be filed establishing a subsequent effective date of retirement. If an applicant for disability retirement fails to furnish requested additional medical information within 90 days following such request, the application shall be declared null and void under the same conditions outlined above, unless the applicant is eligible for early or service retirement in which case the application shall be processed accordingly, using the same effective date as would have been used had the application for disability retirement been approved. The Director of the Retirement Systems Division, acting on behalf of the Board of Trustees, may extend the 120-day limitation provided for in this section when a member has suffered incapacitation such that a reasonable person would not have expected the member to be able to complete the required paperwork within the regular deadline, or when an omission by the Retirement Systems Division prevents the member from having sufficient time to meet the regular deadline."

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SECTION 7. G.S. 135-106(b) reads as rewritten:

"(b) After the commencement of benefits under this section, the benefits payable under the terms of this section during the first 36 months of the long-term disability period shall be equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period as may be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. When primary Social Security disability benefits are increased by cost-of-living adjustments, the increased reduction shall be applied in the first month following the month in which the member becomes entitled to the increased Social Security benefit. The monthly benefit shall be further reduced by the amount of any monthly payments from the federal Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided, in any event, the benefit payable shall be no less than ten dollars (\$10.00) a month. However, a disabled participant may elect to receive any salary continuation as provided in G.S. 135-104 in lieu of long-term disability benefits; provided such election shall not extend the first 36 consecutive calendar months of the long-term disability period. An election to receive any salary continuation for any part of any given day shall be in lieu of any long-term benefit payable for that day, provided further, any lump-sum payout for vacation leave shall be treated as if the beneficiary or participant had exhausted the leave and shall be in lieu of any long-term benefit otherwise payable. Provided that, in any event, a beneficiary's benefit shall be reduced during the first 36 months of the long-term disability period by an amount, as determined by the Board of Trustees, equal to a primary Social Security retirement benefit to which the beneficiary might be entitled.

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

Notwithstanding the foregoing, the long-term disability benefit is payable so long as the beneficiary is disabled and is in receipt of a primary Social Security disability benefit until the earliest date at which the beneficiary is eligible for an unreduced service retirement allowance from the Retirement System, at which time the beneficiary would receive a retirement allowance calculated on the basis of the beneficiary's average final compensation at the time of disability as adjusted to reflect compensation increases subsequent to the time of disability and the creditable service accumulated by the beneficiary, including creditable service while in receipt of benefits under the Plan. In the event the beneficiary has not been approved and is not in receipt of a primary Social Security disability benefit, the long-term disability benefit shall cease after the first 36 months of the long-term disability period. However, a beneficiary shall be entitled to a restoration of the long-term disability benefit in the event the Social Security Administration grants a retroactive approval for primary Social Security disability benefits with a benefit effective date within the first 36 months of the long-term disability period. In such event, the long-term disability benefit shall be restored retroactively to the date of cessation."

**SECTION 8.(a) G.S. 135-8(b2) reads as rewritten:**

"(b2) Retroactive Adjustment in Compensation or an Underreporting of Compensation.— A member or beneficiary who is awarded backpay in cases of a denied promotional opportunity or wrongful demotion in which the aggrieved member or beneficiary is granted a promotion or a demotion is reversed retroactively, or in cases in which an employer errs in the reporting of compensation, including the employee and employer contributions, the member or beneficiary and employer may make employee and employer contributions on the retroactive or additional compensation, after submitting clear and convincing evidence of the retroactive promotion or underreporting of compensation, as follows:

- (1) Within 90 days of the denial of the promotion or the error in reporting, by the payment of employee and employer contributions that would have been paid; or
- (2) After 90 days of the denial of the promotion or the error in reporting, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

For members or beneficiaries electing to make the employee contributions on the retroactive adjustment in compensation or on the underreported compensation, the member's or

beneficiary's employer, which granted the retroactive promotion or erred in underreporting compensation and contributions, shall make the required employer contributions. Nothing contained in this subsection shall prevent an employer from paying all or a part of the interest assessed on the employee contributions; and to the extent paid by the employer, the interest paid by the employer shall be credited to the pension accumulation fund; provided, however, an employer does not discriminate against any member or beneficiary or group of members or beneficiaries in his employ in paying all or any part of the interest assessed on the employee contributions due.

In the event the retroactive adjustment in compensation or the underreported compensation is for a period that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5) the compensation the member or beneficiary would have received during the period shall be included in calculating the member's or beneficiary's average final compensation only in the event the appropriate employee and employer contributions are paid on such compensation.

An employer error in underreporting compensation shall not include a retroactive increase in compensation that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5) for reasons other than a wrongfully denied promotional opportunity or wrongful demotion where the member is promoted or the demotion is reversed retroactively."

SECTION 8.(b) G.S. 128-30(b2) reads as rewritten:

"(b2) Retroactive Adjustment in Compensation or an Underreporting of Compensation. – A member or beneficiary who is awarded backpay in cases of a denied promotional opportunity or wrongful demotion in which the aggrieved member or beneficiary is granted a promotion or a demotion is reversed retroactively, or in cases in which an employer errs in the reporting of compensation, including the employee and employer contributions, the member or beneficiary and employer may make employee and employer contributions on the retroactive or additional compensation after submitting clear and convincing evidence of the retroactive promotion or underreporting of compensation, as follows:

- (1) Within 90 days of the denial of the promotion or the error in reporting, by the payment of employee and employer contributions that would have been paid; or
- (2) After 90 days of the denial of the promotion or the error in reporting, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

For members or beneficiaries electing to make the employee contributions on the retroactive adjustment in compensation or on the underreported compensation, the member's or beneficiary's employer, which granted the retroactive promotion or erred in underreporting compensation and contributions, shall make the required employer contributions. Nothing contained in this subsection shall prevent an employer from paying all or a part of the interest assessed on the employee contributions; and to the extent paid by the employer, the interest paid by the employer shall be credited to the pension accumulation fund; provided, however, an employer does not discriminate against any member or beneficiary or group of members or beneficiaries in his employ in paying all or any part of the interest assessed on the employee contributions due.

In the event the retroactive adjustment in compensation or the underreported compensation is for a period that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5), the compensation the member or beneficiary would have received during the period shall be included in calculating

1 the member's or beneficiary's average final compensation only in the event the appropriate  
2 employee and employer contributions are paid on such compensation.

3 An employer error in underreporting compensation shall not include a retroactive increase  
4 in compensation that occurs during the four consecutive calendar years that would have  
5 produced the highest average annual compensation pursuant to G.S. 135-1(5), for reasons other  
6 than a wrongfully denied promotional opportunity or wrongful demotion where the member is  
7 promoted or the demotion is reversed retroactively."

8 **SECTION 9.(a)** G.S. 135-5(g1) reads as rewritten:

9 "(g1) In the event of the death of a retired member while in receipt of a retirement  
10 allowance under the provisions of this Article, there shall be paid to such person or persons as  
11 the retiree shall have nominated by electronic submission in a form approved by the Board of  
12 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
13 such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
14 legal representatives, a death benefit equal to the excess, if any, of the accumulated  
15 contributions of the retiree at the date of retirement over the total of the retirement allowances  
16 paid prior to the death of the retiree. In the event that a retiree is receiving a Special Retirement  
17 Allowance under subsection (m1) of this section, there shall be paid to such person or persons  
18 as the retiree shall have nominated by electronic submission in a form approved by the Board  
19 of Trustees or by written designation duly acknowledged and filed with the Board of Trustees,  
20 if such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
21 legal representatives, an additional death benefit equal to the excess, if any, of the employee  
22 voluntary contributions that were transferred from the Supplemental Retirement Income Plan of  
23 North Carolina over the total of the Special Retirement Allowances paid prior to the death of  
24 the retiree.

25 In the event that a retirement allowance becomes payable to the designated survivor of a  
26 retired member under the provisions above and such retirement allowance to the survivor shall  
27 terminate upon the death of the survivor before the total of the retirement allowances paid to  
28 the retiree and the designated survivor combined equals the amount of the accumulated  
29 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
30 contributions over the total of the retirement allowances paid to the retiree and the survivor  
31 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
32 nominated by electronic submission in a form approved by the Board of Trustees or by written  
33 designation duly acknowledged and filed with the Board of Trustees, if such person or persons  
34 are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
35 purposes of this paragraph, the term "accumulated contributions" includes amounts of  
36 employee voluntary contributions that were transferred from the Supplemental Retirement  
37 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
38 enforcement officers.

39 In the event that a retirement allowance becomes payable to the principal beneficiary  
40 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
41 section and that beneficiary dies before the total of the retirement allowances paid equals the  
42 amount of the accumulated contributions of the member at the date of the member's death, the  
43 excess of those accumulated contributions over the total of the retirement allowances paid to  
44 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
45 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
46 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
47 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
48 amounts of employee voluntary contributions that were transferred from the Supplemental  
49 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
50 law enforcement officers.

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**Deleted:** includes amounts of employee voluntary contributions that were transferred from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible law enforcement officers.

In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be paid to such person or persons as the retiree shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if any, of the cost of the creditable service purchased less the administrative fee, if any, over the total of the increase in the retirement allowance attributable to the additional creditable service, paid from the month following the month in which payment was received to the death of the retiree.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the increase in the retirement allowance attributable to the additional creditable service paid to the retiree and the designated survivor combined equals the cost of the creditable service purchased less the administrative fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time such payment falls due, otherwise to the retiree's legal representative.

In the event that a retiree dies without having designated a beneficiary to receive a benefit under the provisions of this subsection, any such benefit that becomes payable shall be paid to the member's estate."

SECTION 9.(b) G.S. 128-27(g1) reads as rewritten:

"(g1) In the event of the death of a retired member while in receipt of a retirement allowance under the provisions of this Article, there shall be paid to such person or persons as the retiree shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions of the retiree at the date of retirement over the total of the retirement allowances paid prior to the death of the retiree. In the event that a retiree is receiving a Special Retirement Allowance under subsection (m1) of this section, there shall be paid to such person or persons as the retiree shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if any, of the employee voluntary contributions that were transferred from the Supplemental Retirement Income Plan of North Carolina over the total of the Special Retirement Allowances paid prior to the death of the retiree.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the retirement allowances paid to the retiree and the designated survivor combined equals the amount of the accumulated contributions of the retiree at the date of retirement, the excess, if any, of such accumulated contributions over the total of the retirement allowances paid to the retiree and the survivor combined shall be paid in a lump sum to such person or persons as the retiree shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time such payment falls due, otherwise to the retiree's legal representative. For purposes of this paragraph, the term "accumulated contributions" includes amounts of employee voluntary contributions that were transferred from the Supplemental Retirement

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1 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
2 enforcement officers.

3 In the event that a retirement allowance becomes payable to the principal beneficiary  
4 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
5 section and that beneficiary dies before the total of the retirement allowances paid equals the  
6 amount of the accumulated contributions of the member at the date of the member's death, the  
7 excess of those accumulated contributions over the total of the retirement allowances paid to  
8 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
9 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
10 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
11 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
12 amounts of employee voluntary contributions that were transferred from the Supplemental  
13 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
14 law enforcement officers.

15 In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be  
16 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
17 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
18 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,  
19 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
20 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
21 total of the increase in the retirement allowance attributable to the additional creditable service,  
22 paid from the month following the month in which payment was received to the death of the  
23 retiree.

24 In the event that a retirement allowance becomes payable to the designated survivor of a  
25 retired member under the provisions above, and such retirement allowance to the survivor shall  
26 terminate upon the death of the survivor before the total of the increase in the retirement  
27 allowance attributable to the additional creditable service paid to the retiree and the designated  
28 survivor combined equals the cost of the creditable service purchased less the administrative  
29 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
30 have nominated by electronic submission in a form approved by the Board of Trustees or by  
31 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
32 persons are living at the time such payment falls due, otherwise to the retiree's legal  
33 representative.

34 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
35 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
36 the member's estate."

37 **SECTION 10.(a)** G.S. 135-5(m1) reads as rewritten:

38 "(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a  
39 member who is a law enforcement officer may elect to transfer any portion of his eligible  
40 accumulated contributions, not including any Roth after-tax contributions and the earnings  
41 thereon, from the Supplemental Retirement Income Plan of North Carolina to this Retirement  
42 System and receive, in addition to his basic service, early or disability retirement allowance, a  
43 special retirement allowance which shall be based upon his eligible accumulated account  
44 balance at the date of the transfer of the assets to this System. For the purpose of determining  
45 the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors  
46 on the basis of mortality tables, such other tables as may be necessary and the interest  
47 assumption rate recommended by the actuary based upon actual experience including an  
48 assumed annual post-retirement allowance increase of four percent (4%). The Board of  
49 Trustees shall modify such factors every five years, as shall be deemed necessary, based upon  
50 the five year experience study as required by G.S. 135-6(n). Provided, however, a member,  
51 who transfers his eligible accumulated contributions from the Supplemental Retirement Income



1 Plan of North Carolina, shall be taxed for North Carolina State Income tax purposes on the  
2 special retirement allowance the same as if that special retirement allowance had been paid  
3 directly by the Supplemental Retirement Income Plan of North Carolina. The Teachers' and  
4 State Employees' Retirement System shall be responsible to determine the taxable amount, if  
5 any, and report accordingly."

6 **SECTION 10.(b)** G.S. 128-27(m1) reads as rewritten:

7 "(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a  
8 member who is a law enforcement officer may elect to transfer any portion of his eligible  
9 accumulated contributions, not including any Roth after-tax contributions and the earnings  
10 thereon, from the Supplemental Retirement Income Plan of North Carolina to this Retirement  
11 System and receive, in addition to his basic service, early or disability retirement allowance, a  
12 special retirement allowance which shall be based upon his eligible accumulated account  
13 balance at the date of the transfer of the assets to this System. For the purpose of determining  
14 the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors  
15 on the basis of mortality tables, such other tables as may be necessary and the interest  
16 assumption rate recommended by the actuary based upon actual experience including an  
17 assumed annual post-retirement allowance increase of four percent (4%). The Board of  
18 Trustees shall modify such factors every five years, as shall be deemed necessary, based upon  
19 the five year experience study as required by G.S. 128-29(o). Provided, however, a member  
20 who transfers his eligible accumulated contributions from the Supplemental Retirement Income  
21 Plan of North Carolina shall be taxed for North Carolina State Income tax purposes on the  
22 special retirement allowance the same as if that special retirement allowance had been paid  
23 directly by the Supplemental Retirement Income Plan of North Carolina. The Local  
24 Governmental Employees' Retirement System shall be responsible to determine the taxable  
25 amount, if any, and report accordingly."

26 **SECTION 11.(a)** G.S. 143-166.30(d) reads as rewritten:

27 "(d) Supplemental Retirement Income Plan for State Law-Enforcement Officers. – As of  
28 January 1, 1985, there shall be created a Supplemental Retirement Income Plan, hereinafter  
29 called the "Plan," established for the benefit of all law-enforcement officers employed by the  
30 State, who shall be participants. The Board of Trustees of the State Retirement System shall  
31 administer the Plan and shall, under the terms and conditions otherwise appearing herein,  
32 provide Plan benefits either (i) by establishing a separate trust fund in conformance with  
33 Section 401(a), Section 401(k) or other sections of the Internal Revenue Code of 1954 as  
34 amended or, (ii) by causing the Plan to affiliate with some master trust fund providing the same  
35 benefits for participants. The Plan shall be separate and apart from any retirement systems.

36 In addition to the contributions transferred from the Law-Enforcement Officers' Retirement  
37 System and the contributions otherwise provided for in this Article, participants may make  
38 voluntary contributions to the Plan to be credited to the designated individual accounts of  
39 participants; provided, in no instance shall the total contributions by a participant exceed ten  
40 percent (10%) of a participant's compensation within any calendar year.

41 All contributions to the Plan shall be credited to the individual accounts of participants, and  
42 shall be fully and immediately vested in the name of the participant, and shall be invested  
43 according to each participant's election, as provided by the Board of Trustees, including but not  
44 limited to time deposits, and both fixed and variable investments. The Plan may provide for  
45 loans to participants, at reasonable rates of interest to be charged, from participants' individual  
46 accounts, and may provide for withdrawal of contributions on account of hardship.

47 The benefit to a participant in the Plan shall be either a lump-sum distribution or a  
48 distribution in periodic installments of the participant's account payable under retirement,  
49 disability, or termination of employment. Upon the death of a participant there shall be paid the  
50 same lump-sum distribution or periodic installments to the surviving spouse of the participant  
51 or otherwise to the participant's estate; provided, should a participant instruct the Board of

1 Trustees in writing that he does not wish these benefits to be paid to his spouse or estate, then  
2 the benefits shall be paid to the person or persons as the participant may name for this purpose.

3 Upon retirement, a participant in the Plan may elect to transfer any portion of his eligible  
4 accumulated contributions, not including any Roth after-tax contributions and the earnings  
5 thereon, to the Teachers' and State Employees' Retirement System and receive, in addition to  
6 his basic service, early or disability retirement allowance a special retirement allowance which  
7 shall be based on his eligible accumulated account balance at the date of the transfer of the  
8 assets."

9 SECTION 11.(b) G.S. 143-166.50(e) reads as rewritten:

10 "(e) Supplemental Retirement Income Plan for Local Governmental Law-Enforcement  
11 Officers. – As of January 1, 1986, all law-enforcement officers employed by a local  
12 government employer, are participating members of the Supplemental Retirement Income Plan  
13 as provided by Article 5 of Chapter 135 of the General Statutes. In addition to the contributions  
14 transferred from the Law-Enforcement Officers' Retirement System, participants may make  
15 voluntary contributions to the Supplemental Retirement Income Plan to be credited to the  
16 designated individual accounts of participants; provided, in no instance shall the total  
17 contributions by a participant exceed ten percent (10%) of a participant's compensation within  
18 any calendar year. From July 1, 1987, until July 1, 1988, local government employers of law  
19 enforcement officers shall contribute an amount equal to at least two percent (2%) of  
20 participating local officers' monthly compensation to the Supplemental Retirement Income Plan  
21 to be credited to the designated individual accounts of participating local officers; and on and  
22 after July 1, 1988, local government employers of law enforcement officers shall contribute an  
23 amount equal to five percent (5%) of participating local officers' monthly compensation to the  
24 Supplemental Retirement Income Plan to be credited to the designated individual accounts of  
25 participating local officers.

26 Additional contributions shall also be made to the individual accounts of all participants in  
27 the Plan, except for Sheriffs, on a per capita equal-share basis from the sum of one dollar and  
28 twenty-five cents (\$1.25) for each cost of court collected under G.S. 7A-304.

29 Upon retirement, a participant in the Plan may elect to transfer any portion of his eligible  
30 accumulated contributions, not including any Roth after-tax contributions and the earnings  
31 thereon, to the Local Governmental Employees' Retirement System and receive, in addition to  
32 his basic service, early or disability retirement allowance a special retirement allowance which  
33 shall be based on his eligible accumulated account balance at the date of the transfer of the  
34 assets."

35 SECTION 12. This act becomes effective July 1, 2010.

**2009 COMMITTEE REPORT**  
**HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☐ Committee Substitute for

**HB 2054**                    A BILL TO BE ENTITLED AN ACT TO MAKE TECHNICAL  
CORRECTIONS TO THE STATUTES GOVERNING THE TEACHERS' AND STATE EMPLOYEES'  
RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT  
SYSTEM.

☒ With a favorable report as to the committee substitute bill, unfavorable as to the original bill.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution  
(No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_) is placed  
on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the  
Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint)  
resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

HOUSE PAGES

Pensions & Retirement  
NAME OF COMMITTEE \_\_\_\_\_ DATE 6-9-10

1. Name: Brooke Conrad

County: Gaston

Sponsor: current

2. Name: Haley Wiehl

County: Wilkes

Sponsor: Randleman

3. Name: Morgan McCullers

County: Wake

Sponsor: Gill

4. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

5. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

SGT-AT-ARM

1. Name: Reggie Sills

2. Name: MARVIN LEE

3. Name: BILL BASS

4. Name: \_\_\_\_\_

## VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

JUNE 9, 2010

Name of Committee

Date

**VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK**

NAME

FIRM OR AGENCY AND ADDRESS

Julie Hochstein	DST RSD
Mary McDuffie	NCCAT
Pat Porter	General Assembly Staff
A Sahari	DST
Andrew Reitan	DST
Evelyn Lawrence	ETGR
David Starling	DST
David Vanderweide	DST
Michael Williamson	DST
Kay Emanuel	School of Government

## VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

JUNE 9, 2010

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Bill Stockard	STATE BUDGET
Mujeeb Shah-Khan	City of Charlotte, 600 E. 4th St. Charlotte 28202
Dana Fenton	City of Charlotte
Mitch Leonard	SEANC
Suzanne Brasley	SEANC
El Regan	NCRGEA
Michael T. Ford	NCAAC
GEORGE FUTURELL	NCAA



North Carolina General Assembly  
**House Committee on Pensions & Retirement**  
**MINUTES**

~  
Wednesday, June 16, 2010

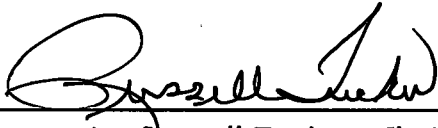
The House Committee on Pensions and Retirement met Wednesday, June 16, 2010 at 10:00 a.m. in Room 415 of the Legislative Office Building. The following members were present: Representative Russell Tucker, Chair, Representatives Bell, Folwell, Holloway, Hurley & McGee, Vice Chairs and Representative Ross. Staff assisting the committee were Karen Cochran-Brown, Theresa Matula, and Stanley Moore. Fifteen visitors attended and a visitor's registration sheet is attached as part of these minutes.

The Chair called the meeting to order and asked the pages to introduce themselves. They were Stone Faison, Orange County, sponsored by Representative Faison, Destiny Barnes, Nash County, sponsored by Representative Stewart, Cora Bradford, Jones County, sponsored by Representative Wainwright and Sam Holmes, Wake County, sponsored by Representative Heagarty. Sergeant-at-Arms were Don McLennan and James Worth.

Representative Tucker, Chair recognized Senator Clodfelter to present his bill, **SB1212 A BILL TO BE ENTITLED AN ACT TO REPEAL THE LOCAL GOVERNMENT OTHER POST-EMPLOYMENT BENEFITS (OPEB) FUND AND TO ALLOW EACH UNIT OF LOCAL GOVERNMENT TO ESTABLISH A SEPARATE OPEB TRUST FUND THAT MAY THEN BE INVESTED BY THE DEPARTMENT OF STATE TREASURER. (Attachment #1).** Senator Clodfelter explained that this bill modifies a law enacted in 2007 to allow local governments to invest moneys set aside to fund post-employment benefits in equity securities through the State Treasurer so the financial disclosure obligations of the fund remain with the local government. There were no questions and discussion. Representative McGee moved for a favorable report and re-refer to the committee on Finance. Motion carried.

There being no further business, the meeting adjourned at 10:20 am.

Respectfully Submitted,

  
\_\_\_\_\_  
Representative Russell Tucker, Chair

  
\_\_\_\_\_  
Sally Gillis, Committee Assistant



# **AGENDA**

## **HOUSE COMMITTEE ON PENSIONS AND RETIREMENT**

**Wednesday, June 16, 2010**

**Room 415 LOB**

**10:00 A.M.**

**OPENING REMARKS**

**Representative Tucker, Chair**

**SB 1212    Local Gov't. Other Post Employment  
             Benefits**

**Senator Clodfelter**

**ADJOURNMENT**

**NORTH CAROLINA HOUSE OF REPRESENTATIVES  
COMMITTEE MEETING NOTICE  
AND  
BILL SPONSOR NOTIFICATION  
2009-2010 SESSION**

You are hereby notified that the Committee on **Pensions and Retirement** will meet as follows:

**DAY & DATE:** Wednesday, June 16, 2010

**TIME:** 10:00 am

**LOCATION:** 415 LOB

**COMMENTS:**

The following bills will be considered:

<b>BILL NO.</b>	<b>SHORT TITLE</b>	<b>SPONSOR</b>
SB 1212	Local Gov't. Other Post-Employment Benefits.	Senator Clodfelter

Respectfully,  
Representative Tucker, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at  
**2:30 p.m. on June 15, 2010**

- ☐ Principal Clerk
- ☐ Reading Clerk – House Chamber

**Sally Gillis** (Committee Assistant)

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

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**SENATE BILL 1212**

Short Title: Local Gov't. Other Post-Employment Benefits. (Public)

Sponsors: Senator Clodfelter.

Referred to: Finance.

May 19, 2010

1 A BILL TO BE ENTITLED  
2 AN ACT TO REPEAL THE LOCAL GOVERNMENT OTHER POST-EMPLOYMENT  
3 BENEFITS (OPEB) FUND AND TO ALLOW EACH UNIT OF LOCAL  
4 GOVERNMENT TO ESTABLISH A SEPARATE OPEB TRUST FUND THAT MAY  
5 THEN BE INVESTED BY THE DEPARTMENT OF STATE TREASURER.  
6 The General Assembly of North Carolina enacts:  
7 **SECTION 1.** G.S. 159-30(g) reads as rewritten:  
8 "(g) A local government, public authority, an entity eligible to participate in the Local  
9 Government Employee's Retirement System, or a local school administrative unit may make  
10 contributions to the a Local Government Other Post-Employment Benefits Fund Trust  
11 established in G.S. 147-69.4, pursuant to G.S. 159-30.1."  
12 **SECTION 2.** G.S. 159-30.1(b) reads as rewritten:  
13 "(b) Restrictions. – Monies in an irrevocable trust established under subsection (a) of this  
14 section may be appropriated only for the purposes for which the trust was established. Monies  
15 in the trust are not subject to the claims of creditors of the entity that established the trust. An  
16 entity that establishes a trust may not deposit money in the trust if the total amount held in trust  
17 would exceed the entity's actuarial liability, determined in accordance with the standards of the  
18 Governmental Accounting Standards Board, for the purposes for which the trust was  
19 established. A trust established pursuant to subsection (a) of this section shall be referred to as a  
20 Local Government Other Post-Retirement Benefits Trust, and the assets of that trust may be  
21 invested as provided in G.S. 159-30(c) or deposited with the State Treasurer for investment  
22 pursuant to G.S. 147-69.2(b4)."  
23 **SECTION 3.** G.S. 147-69.2(a) reads as rewritten:  
24 "(a) This section applies to funds held by the State Treasurer to the credit of each of the  
25 following:  
26 ...  
27 (17g) The Funds deposited with the State Treasurer by Local Government Other  
28 Post-Employment Benefits Fund- Trusts pursuant to G.S. 159-30.1."  
29 ...."  
30 **SECTION 4.** G.S. 147-69.2(b4) reads as rewritten:  
31 "(b4) In addition to the investments authorized under subdivisions (b)(1) through (6) of  
32 this section, the State Treasurer may invest funds deposited ~~in the Local Government Other~~  
33 ~~Post-Employment Benefits Fund~~ pursuant to subdivision (17g) of subsection (a) of this section  
34 in any of the investments authorized under subdivisions (b)(6c) and (b)(8) of this section,  
35 notwithstanding the percentage limitations imposed on the Retirement Systems' investments  
36 therein. Funds deposited pursuant to this subsection by a Local Government Other  
37 Post-Employment Benefits Trust and interest or other investment income earned from those

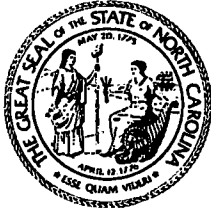


\* S 1 2 1 2 - V - 1 \*

1 funds shall be prorated and credited to the contributing trust on the basis of the amounts  
2 contributed, figured according to sound accounting principles. For investments from that Fund  
3 made under subdivisions (b)(6c) and (b)(8) of this section, the State Treasurer may require a  
4 minimum deposit of up to one hundred thousand dollars (\$100,000) and may assess fees of up  
5 to 15 basis points per annum as a condition of making the investment. The fee participation  
6 pursuant to this subsection. Fees assessed by the State Treasurer may be used to defray the  
7 costs of administering the Fund."

8 **SECTION 5.** G.S. 147-69.4 is repealed.

9 **SECTION 6.** This act becomes effective July 1, 2010.



## SENATE BILL 1212: Local Gov't. Other Post-Employment Benefits

2009-2010 General Assembly

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<b>Committee:</b>	House Pensions and Retirement, if favorable, Finance	<b>Date:</b>	June 15, 2010
<b>Introduced by:</b>	Sen. Clodfelter	<b>Prepared by:</b>	Karen Cochrane-Brown
<b>Analysis of:</b>	First Edition		Committee Counsel

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**SUMMARY:** *Senate Bill 1212 modifies a law enacted in 2007 to allow local governments to invest moneys set aside to fund post-employment benefits in equity securities through the State Treasurer so that the financial disclosure obligations of the fund remain with the local government.*

**CURRENT LAW:** In 2007, the General Assembly established the Local Government Other Post-Employment Benefits (OPEB) Fund to allow local government units access to equity markets as an investment vehicle for moneys set aside to fund post employment benefits provided to their employees. To participate in the Fund, a local government unit must create an irrevocable trust. The local unit may make irrevocable contributions from the trust to the Fund. The State Treasurer may invest monies in the Fund in preferred or common stock to the same extent as is allowed for the State Retirement System.

Recently, upon guidance given to the State Treasurer's Office from the Governmental Auditing Standards Board, it has been determined that the OPED Fund is an OPEB plan operating at the State level. This determination means the Treasurer will have to make financial disclosures concerning the fund. It also means that each local unit participating in the fund must utilize the same actuarial study date cycle and that all units' financial information pertinent to OPED must be compiled by August 31<sup>st</sup> of each fiscal year.

**BILL ANALYSIS:** The intent of the 2007 legislation was not to create a state-level OPED plan. As originally envisioned, the irrevocable trust was to exist at the local level and the fund created at the State level was to be only an investment vehicle managed by the Department of the State Treasurer.

Senate Bill 1212 would restructure the OPED fund so that each local government unit will be able to establish a separate OPED irrevocable trust, which will maintain the overall financial disclosure obligations with each local unit participant. The funds from the trust may continue to be invested by the State Treasurer in public equities through a collective or common trust.

**EFFECTIVE DATE:** The bill becomes July 1, 2010.

*Cindy Avrette, counsel to Senate Finance, substantially contributed to this summary.*

S1212-SMRO-175(e1) v1

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☐ Committee Substitute for

**SB 1212**                    A BILL TO BE ENTITLED AN ACT TO REPEAL THE LOCAL GOVERNMENT OTHER POST-EMPLOYMENT BENEFITS (OPEB) FUND AND TO ALLOW EACH UNIT OF LOCAL GOVERNMENT TO ESTABLISH A SEPARATE OPEB TRUST FUND THAT MAY THEN BE INVESTED BY THE DEPARTMENT OF STATE TREASURER.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on FINANCE.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ The bill/resolution is re-referred to the Committee on \_\_\_\_\_.

HOUSE PAGES

NAME OF COMMITTEE PENSIONS & RETIREMENT DATE 6-16-10

1. Name: Stone Faison

County: Orange

Sponsor: Bill Faison

2. Name: Destiny Barnes

County: Wash

Sponsor: Bandy Stewart

3. Name: Coza Bradford

County: JONES

Sponsor: Wainwright

4. Name: Sam Holmes

County: Wake

Sponsor: Chir's Measordy

5. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

SGT-AT-ARM

1. Name: DON McLENNAN

2. Name: JAMES WORTH

3. Name: \_\_\_\_\_

4. Name: \_\_\_\_\_

## VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

JUNE 16, 2010

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Daniel Brun	TROTTMAN SANDOZ
A. Sohari	DST
David Starling	DST
Michael W. Johnson	DST
Vance Holloman	DST
Pam Waltham	DST
Jim Harner	WCPS
Marge Foreman	NCHS
Chip Kellner	Nelson Mullins



## VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

JUNE 16, 2010

Name of Committee

Date

**VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK**

NAME

FIRM OR AGENCY AND ADDRESS

David Anders	PFFPNK
Chuck Stone	SEAR
Pam Heardorff	NCRSP
Jim Hordent	J. Vaner Assoc
Ed Rego	NCRGEA
Chut Haidin	



North Carolina General Assembly  
**House Committee on Pensions & Retirement**  
**MINUTES**

~

Wednesday, June 23, 2010

The House Committee on Pensions and Retirement met Wednesday, June 23, 2010 at 10:00 a.m. in Room 415 of the Legislative Office Building. The following members were present: Representative Russell Tucker, Chair, Representatives Bell, Folwell, Holloway, Hurley & McGee, Vice Chairs and Representatives McLawhorn and Ross. Staff assisting the committee were Karen Cochran-Brown, Theresa Matula, and Stanley Moore. Seven visitors attended and a visitor's registration sheet is attached as part of these minutes.

The Chair called the meeting to order and asked the pages to introduce themselves. They were Mark Falkner, Vance County, sponsored by Representative Wray, Hunter Rimmer, Wake County, sponsored by Representative Stam, Elliott Best, Wayne County, sponsored by Representative Sager and Matt Trogon, Randolph County, sponsored by Representative Hurley. Reggie Sills and Mike Martin, Sergeant-at-Arms were introduced by Chairman Tucker.

The Chair announced that HB 2066 which was not on the calendar would be added for discussion. He introduced Representative Bryant to explain HB 2066 **A BILL TO BE ENTITLED AN ACT TO AUTHORIZE THE CREATION OF SPECIAL RETIREMENT ALLOWANCES FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM. (Attachment #1).** A PCS was presented and Representative McLawhorn moved to accept it for consideration. Motion passed. Michael Williamson with the Retirement System spoke on the bill and said his department was in agreement with the bill. After questions and discussion, Representative McLawhorn withdrew her motion for a favorable report and asked that further work be done on the bill and bring it back to the committee at the next meeting.

The Chair introduced Representative Guice to come forward to present his bill, HB 1778 A BILL TO BE ENTITLED AN ACT TO AUTHORIZE BREVARD ACADEMY, AN EXISTING CHARTER SCHOOL, TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES.

(Attachment #2). Questions were referred to Staff for answers. A motion for a favorable report was made by Representative Hurley. Motion passed.

The Chair said that HB 1941 on the calendar was being switched to SB 1356 which was introduced by Senator Goss and had already passed in the Senate. Representative Randleman was recognized by the Chair to explain SB 1356 A BILL TO BE ENTITLED AN ACT TO INCREASE THE MONTHLY BENEFIT TO MEMBERS OF THE WILKESBORO FIREMEN'T SUPPLEMENTAL PENSION FUND. (Attachment #3). Representative Randleman stated that SB 1356 is the companion for her bill HB 1941 and comes at the request of the town of Wilkesboro. Upon motion made by Representative McLawhorn, SB 1356 received a favorable report.

There being no further business, the meeting adjourned at 10:35 a.m.

Respectfully submitted,

  
Representative Russell Tucker, Chair

  
Sally Gillis Committee Assistant

# **AGENDA**

## **HOUSE COMMITTEE ON PENSIONS AND RETIREMENT**

**Wednesday, June 23, 2010**

**Room 415 LOB**

**10:00 A.M.**

### **OPENING REMARKS**

**Representative Tucker,  
Chair**

**HB 1778    Brevard Academy/Retirement  
Election**

**Representative Guice**

**HB 1941    Increase Wilkesboro Firemen's  
Pension**

**Representative Randleman**

### **ADJOURNMENT**

**NORTH CAROLINA HOUSE OF REPRESENTATIVES  
COMMITTEE MEETING NOTICE  
AND  
BILL SPONSOR NOTIFICATION  
2009-2010 SESSION**

You are hereby notified that the Committee on **Pensions and Retirement** will meet as follows:

**DAY & DATE:** Wednesday, June 23, 2010

**TIME:** 10:00 am

**LOCATION:** 415 LOB

**COMMENTS:**

The following bills will be considered:

<b>BILL NO.</b>	<b>SHORT TITLE</b>	<b>SPONSOR</b>
HB 1778	Brevard Academy/Retirement Election.	Representative Guice
HB 1941	Increase Wilkesboro Firemen's Pension.	Representative Randleman

Respectfully,  
Representative Tucker, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at  
**1:00 p.m. on June 22, 2009.**

- ☐ Principal Clerk  
☐ Reading Clerk – House Chamber

**Sally Gillis** (Committee Assistant)

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

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2

HOUSE BILL 2066  
Committee Substitute Favorable 6/22/10

Short Title: Special Retirement Allowances.

(Public)

Sponsors:

Referred to:

May 27, 2010

## A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE CREATION OF SPECIAL RETIREMENT ALLOWANCES FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

## SECTION 1. G.S. 135-5(m1) reads as rewritten:

"(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a member who is a law enforcement officer vested as of June 30, 2010, may elect to transfer any portion of his eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina to this Retirement System and receive, in addition to his basic service, early or disability retirement allowance, a special retirement allowance which shall be based upon his eligible accumulated account balance at the date of the transfer of the assets to this System. For the purpose of determining the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors on the basis of mortality tables, such other tables as may be necessary and the interest assumption rate recommended by the actuary based upon actual experience including an assumed annual post-retirement allowance increase of four percent (4%). The Board of Trustees shall modify such factors every five years, as shall be deemed necessary, based upon the five year experience study as required by G.S. 135-6(n). Provided, however, a member, who transfers his eligible accumulated contributions from the Supplemental Retirement Income Plan of North Carolina, shall be taxed for North Carolina State Income tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the Supplemental Retirement Income Plan of North Carolina. The Teachers' and State Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly."

## SECTION 2. G.S. 135-5 is amended by adding a new subsection to read:

"(m2) Special Retirement Allowance. – At any time coincident with or following retirement, a member may make a onetime election to transfer any portion of the member's eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to this Retirement System and receive, in addition to the member's basic service, early or disability retirement allowance, a special retirement allowance which shall be based upon the member's transferred balance. Notwithstanding anything to the contrary, a member may not transfer such amounts that will cause the member's retirement allowance under the System to exceed the amount allowable under G.S. 135-18.7(b). The Board of Trustees may establish a minimum amount that must be



transferred if a transfer is elected. The member may elect a special retirement allowance with no postretirement increases or a special retirement allowance with annual postretirement increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement increases on any other allowance will not apply to the special retirement allowance.

For the purpose of determining the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality and such other tables as may be necessary based upon actual experience. A single set of mortality and such other tables will be used for all members, with factors differing only based on the age of the member and the election of postretirement increases. The Board of Trustees shall modify the mortality and such other tables every five years, as shall be deemed necessary, based upon the five-year experience study as required by G.S. 135-6(n). Provided, however, a member who transfers the member's eligible accumulated contributions from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to this Retirement System shall be taxed for North Carolina State Income Tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan. The Teachers' and State Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly.

The Board of Trustees shall determine a period certain in which the special retirement allowance shall be payable. If the retired member and the person nominated to receive a monthly retirement allowance upon the member's death, if any, die within the period of time specified by the Board of Trustees, the special retirement allowance shall continue to be paid for the remainder of the specified period to the legal representative of the member or to such person as the member shall nominate by written designation duly acknowledged and filed with the Board of Trustees.

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

The General Assembly reserves the right to repeal or amend this subsection, but such repeal or amendment shall not affect any person who has already made the onetime election provided herein."

### SECTION 3. G.S. 135-5(g1) reads as rewritten:

"(g1) In the event of the death of a retired member while in receipt of a retirement allowance under the provisions of this Article, there shall be paid to such person or persons as the retiree shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions of the retiree at the date of retirement over the total of the retirement allowances paid prior to the death of the retiree. ~~For purposes of this paragraph, the term "accumulated contributions" includes amounts of employee voluntary contributions that were transferred from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible law enforcement officers.~~ In the event that a retiree is receiving a Special Retirement Allowance under subsection (m1) of this section, there shall be paid to such person or persons as the retiree shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if any, of the employee voluntary contributions that were transferred from the Supplemental Retirement

1 Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation  
2 Plan to this Retirement System over the total of the Special Retirement Allowances paid prior  
3 to the death of the retiree. For purposes of this paragraph, the term "accumulated contributions"  
4 excludes any amount transferred under subsection (m2) of this section.

5 In the event that a retirement allowance becomes payable to the designated survivor of a  
6 retired member under the provisions above and such retirement allowance to the survivor shall  
7 terminate upon the death of the survivor before the total of the retirement allowances paid to  
8 the retiree and the designated survivor combined equals the amount of the accumulated  
9 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
10 contributions over the total of the retirement allowances paid to the retiree and the survivor  
11 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
12 nominated by electronic submission in a form approved by the Board of Trustees or by written  
13 designation duly acknowledged and filed with the Board of Trustees, if such person or persons  
14 are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
15 purposes of this paragraph, the term "accumulated contributions" includes amounts of  
16 employee voluntary contributions that were transferred from the Supplemental Retirement  
17 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
18 enforcement officers.

19 In the event that a retirement allowance becomes payable to the principal beneficiary  
20 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
21 section and that beneficiary dies before the total of the retirement allowances paid equals the  
22 amount of the accumulated contributions of the member at the date of the member's death, the  
23 excess of those accumulated contributions over the total of the retirement allowances paid to  
24 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
25 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
26 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
27 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
28 amounts of employee voluntary contributions that were transferred from the Supplemental  
29 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
30 law enforcement officers.

31 In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be  
32 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
33 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
34 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,  
35 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
36 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
37 total of the increase in the retirement allowance attributable to the additional creditable service,  
38 paid from the month following the month in which payment was received to the death of the  
39 retiree.

40 In the event that a retirement allowance becomes payable to the designated survivor of a  
41 retired member under the provisions above and such retirement allowance to the survivor shall  
42 terminate upon the death of the survivor before the total of the increase in the retirement  
43 allowance attributable to the additional creditable service paid to the retiree and the designated  
44 survivor combined equals the cost of the creditable service purchased less the administrative  
45 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
46 have nominated by electronic submission in a form approved by the Board of Trustees or by  
47 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
48 persons are living at the time such payment falls due, otherwise to the retiree's legal  
49 representative.



1 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
2 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
3 the member's estate."

4 **SECTION 4.** G.S. 128-27(m1) reads as rewritten:

5 "(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a  
6 member who is a law enforcement officer vested as of June 30, 2010, may elect to transfer any  
7 portion of his eligible accumulated contributions, not including any Roth after-tax contributions  
8 and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina to  
9 this Retirement System and receive, in addition to his basic service, early or disability  
10 retirement allowance, a special retirement allowance which shall be based upon his eligible  
11 accumulated account balance at the date of the transfer of the assets to this System. For the  
12 purpose of determining the special retirement allowance, the Board of Trustees shall adopt  
13 straight life annuity factors on the basis of mortality tables, such other tables as may be  
14 necessary and the interest assumption rate recommended by the actuary based upon actual  
15 experience including an assumed annual post-retirement allowance increase of four percent  
16 (4%). The Board of Trustees shall modify such factors every five years, as shall be deemed  
17 necessary, based upon the five year experience study as required by G.S. 128-29(o).  
18 G.S. 128-28(o). Provided, however, a member who transfers his eligible accumulated  
19 contributions from the Supplemental Retirement Income Plan of North Carolina shall be taxed  
20 for North Carolina State Income tax purposes on the special retirement allowance the same as if  
21 that special retirement allowance had been paid directly by the Supplemental Retirement  
22 Income Plan of North Carolina. The Local Governmental Employees' Retirement System shall  
23 be responsible to determine the taxable amount, if any, and report accordingly."

24 **SECTION 5.** G.S. 128-27 is amended by adding a new subsection to read:

25 "(m2) Special Retirement Allowance. – At any time coincident with or following  
26 retirement, a member may make a onetime election to transfer any portion of the member's  
27 eligible accumulated contributions, not including any Roth after-tax contributions and the  
28 earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the  
29 North Carolina Public Employee Deferred Compensation Plan to this Retirement System and  
30 receive, in addition to the member's basic service, early or disability retirement allowance, a  
31 special retirement allowance which shall be based upon the member's transferred balance.  
32 Notwithstanding anything to the contrary, a member may not transfer such amounts that will  
33 cause the member's retirement allowance under the System to exceed the amount allowable  
34 under G.S. 128-38.2(b). The Board of Trustees may establish a minimum amount that must be  
35 transferred if a transfer is elected. The member may elect a special retirement allowance with  
36 no postretirement increases or a special retirement allowance with annual postretirement  
37 increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement  
38 increases on any other allowance will not apply to the special retirement allowance.

39 For the purpose of determining the special retirement allowance, the Board of Trustees shall  
40 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality  
41 and such other tables as may be necessary based upon actual experience. A single set of  
42 mortality and such other tables will be used for all members, with factors differing only based  
43 on the age of the member and the election of postretirement increases. The Board of Trustees  
44 shall modify the mortality and such other tables every five years, as shall be deemed necessary,  
45 based upon the five-year experience study as required by G.S. 128-28(o). Provided, however, a  
46 member who transfers the member's eligible accumulated contributions from the Supplemental  
47 Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred  
48 Compensation Plan to this Retirement System shall be taxed for North Carolina State Income  
49 Tax purposes on the special retirement allowance the same as if that special retirement  
50 allowance had been paid directly by the Supplemental Retirement Income Plan of North

1 Carolina. The Local Governmental Employees' Retirement System shall be responsible to  
2 determine the taxable amount, if any, and report accordingly.

3 The Board of Trustees shall determine a period certain in which the special retirement  
4 allowance shall be payable. If the retired member and the person nominated to receive a  
5 monthly retirement allowance upon the member's death, if any, die within the period of time  
6 specified by the Board of Trustees, the special retirement allowance shall continue to be paid  
7 for the remainder of the specified period to the legal representative of the member or to such  
8 person as the member shall nominate by written designation duly acknowledged and filed with  
9 the Board of Trustees.

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

14 The General Assembly reserves the right to repeal or amend this subsection, but such repeal  
15 or amendment shall not affect any person who has already made the onetime election provided  
16 herein."

17 **SECTION 6.** G.S. 128-27(g1) reads as rewritten:

18 "(g1) In the event of the death of a retired member while in receipt of a retirement  
19 allowance under the provisions of this Article, there shall be paid to such person or persons as  
20 the retiree shall have nominated by electronic submission in a form approved by the Board of  
21 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
22 such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
23 legal representatives, a death benefit equal to the excess, if any, of the accumulated  
24 contributions of the retiree at the date of retirement over the total of the retirement allowances  
25 paid prior to the death of the retiree. ~~For purposes of this paragraph, the term "accumulated~~  
26 ~~contributions" includes amounts of employee voluntary contributions that were transferred~~  
27 ~~from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at~~  
28 ~~retirement by eligible law enforcement officers.~~In the event that a retiree is receiving a Special  
29 Retirement Allowance under subsection (m1) of this section, there shall be paid to such person  
30 or persons as the retiree shall have nominated by electronic submission in a form approved by  
31 the Board of Trustees or by written designation duly acknowledged and filed with the Board of  
32 Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the  
33 retiree's legal representatives, an additional death benefit equal to the excess, if any, of the  
34 employee voluntary contributions that were transferred from the Supplemental Retirement  
35 Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation  
36 Plan to this Retirement System over the total of the Special Retirement Allowances paid prior  
37 to the death of the retiree. For purposes of this paragraph, the term "accumulated contributions"  
38 excludes any amount transferred under subsection (m2) of this section.

39 In the event that a retirement allowance becomes payable to the designated survivor of a  
40 retired member under the provisions above and such retirement allowance to the survivor shall  
41 terminate upon the death of the survivor before the total of the retirement allowances paid to  
42 the retiree and the designated survivor combined equals the amount of the accumulated  
43 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
44 contributions over the total of the retirement allowances paid to the retiree and the survivor  
45 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
46 nominated by electronic submission in a form approved by the Board of Trustees or by written  
47 designation duly acknowledged and filed with the Board of Trustees, if such person or persons  
48 are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
49 purposes of this paragraph, the term "accumulated contributions" includes amounts of  
50 employee voluntary contributions that were transferred from the Supplemental Retirement

1 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
2 enforcement officers.

3 In the event that a retirement allowance becomes payable to the principal beneficiary  
4 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
5 section and that beneficiary dies before the total of the retirement allowances paid equals the  
6 amount of the accumulated contributions of the member at the date of the member's death, the  
7 excess of those accumulated contributions over the total of the retirement allowances paid to  
8 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
9 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
10 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
11 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
12 amounts of employee voluntary contributions that were transferred from the Supplemental  
13 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
14 law enforcement officers.

15 In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be  
16 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
17 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
18 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,  
19 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
20 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
21 total of the increase in the retirement allowance attributable to the additional creditable service,  
22 paid from the month following the month in which payment was received to the death of the  
23 retiree.

24 In the event that a retirement allowance becomes payable to the designated survivor of a  
25 retired member under the provisions above, and such retirement allowance to the survivor shall  
26 terminate upon the death of the survivor before the total of the increase in the retirement  
27 allowance attributable to the additional creditable service paid to the retiree and the designated  
28 survivor combined equals the cost of the creditable service purchased less the administrative  
29 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
30 have nominated by electronic submission in a form approved by the Board of Trustees or by  
31 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
32 persons are living at the time such payment falls due, otherwise to the retiree's legal  
33 representative.

34 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
35 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
36 the member's estate."

37 **SECTION 7.** This act becomes effective January 1, 2011.

PCS

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

D

HOUSE BILL 2066  
Committee Substitute Favorable 6/22/10  
PROPOSED COMMITTEE SUBSTITUTE H2066-CSLB-96 [v.2]

6/23/2010 8:59:44 AM

Short Title: Special Retirement Allowances.

(Public)

Sponsors:

Referred to:

May 27, 2010

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE CREATION OF SPECIAL RETIREMENT ALLOWANCES  
FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT  
SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT  
SYSTEM.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 135-5(m1) reads as rewritten:

"(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a member who is a law enforcement officer vested as of June 30, 2010, may elect to transfer any portion of his eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina to this Retirement System and receive, in addition to his basic service, early or disability retirement allowance, a special retirement allowance which shall be based upon his eligible accumulated account balance at the date of the transfer of the assets to this System. For the purpose of determining the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors on the basis of mortality tables, such other tables as may be necessary and the interest assumption rate recommended by the actuary based upon actual experience including an assumed annual post-retirement allowance increase of four percent (4%). The Board of Trustees shall modify such factors every five years, as shall be deemed necessary, based upon the five year experience study as required by G.S. 135-6(n). Provided, however, a member, who transfers his eligible accumulated contributions from the Supplemental Retirement Income Plan of North Carolina, shall be taxed for North Carolina State Income tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the Supplemental Retirement Income Plan of North Carolina. The Teachers' and State Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly."

**SECTION 2.** G.S. 135-5 is amended by adding a new subsection to read:

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

1 Notwithstanding anything to the contrary, a member may not transfer such amounts that will  
2 cause the member's retirement allowance under the System to exceed the amount allowable  
3 under G.S. 135-18.7(b). The Board of Trustees may establish a minimum amount that must be  
4 transferred if a transfer is elected. The member may elect a special retirement allowance with  
5 no postretirement increases or a special retirement allowance with annual postretirement  
6 increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement  
7 increases on any other allowance will not apply to the special retirement allowance.

8 For the purpose of determining the special retirement allowance, the Board of Trustees shall  
9 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality  
10 and such other tables as may be necessary based upon actual experience. A single set of  
11 mortality and such other tables will be used for all members, with factors differing only based  
12 on the age of the member and the election of postretirement increases. The Board of Trustees  
13 shall modify the mortality and such other tables every five years, as shall be deemed necessary,  
14 based upon the five-year experience study as required by G.S. 135-6(n). Provided, however, a  
15 member who transfers the member's eligible accumulated contributions from the Supplemental  
16 Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred  
17 Compensation Plan to this Retirement System shall be taxed for North Carolina State Income  
18 Tax purposes on the special retirement allowance the same as if that special retirement  
19 allowance had been paid directly by the Supplemental Retirement Income Plan of North  
20 Carolina or the North Carolina Public Employee Deferred Compensation Plan. The Teachers'  
21 and State Employees' Retirement System shall be responsible to determine the taxable amount,  
22 if any, and report accordingly.

23 Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess a  
24 one-time flat administrative fee to cover the administrative expenses relating to these transfers.

25 The Board of Trustees shall determine a period certain in which the special retirement  
26 allowance shall be payable. If the retired member and the person nominated to receive a  
27 monthly retirement allowance upon the member's death, if any, die within the period of time  
28 specified by the Board of Trustees, the special retirement allowance shall continue to be paid  
29 for the remainder of the specified period to the legal representative of the member or to such  
30 person as the member shall nominate by written designation duly acknowledged and filed with  
31 the Board of Trustees.

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

36 The General Assembly reserves the right to repeal or amend this subsection, but such repeal  
37 or amendment shall not affect any person who has already made the onetime election provided  
38 herein."

39 **SECTION 3. G.S. 135-5(g1) reads as rewritten:**

40 "(g1) In the event of the death of a retired member while in receipt of a retirement  
41 allowance under the provisions of this Article, there shall be paid to such person or persons as  
42 the retiree shall have nominated by electronic submission in a form approved by the Board of  
43 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
44 such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
45 legal representatives, a death benefit equal to the excess, if any, of the accumulated  
46 contributions of the retiree at the date of retirement over the total of the retirement allowances  
47 paid prior to the death of the retiree. For purposes of this paragraph, the term "accumulated  
48 contributions" includes amounts of employee voluntary contributions that were transferred  
49 from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at  
50 retirement by eligible law enforcement officers. In the event that a retiree is receiving a Special  
51 Retirement Allowance under subsection (m1) of this section, there shall be paid to such person

1 or persons as the retiree shall have nominated by electronic submission in a form approved by  
2 the Board of Trustees or by written designation duly acknowledged and filed with the Board of  
3 Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the  
4 retiree's legal representatives, an additional death benefit equal to the excess, if any, of the  
5 employee voluntary contributions that were transferred from the Supplemental Retirement  
6 Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation  
7 Plan to this Retirement System over the total of the Special Retirement Allowances paid prior  
8 to the death of the retiree. For purposes of this paragraph, the term "accumulated contributions"  
9 excludes any amount transferred under subsection (m2) of this section.

10 In the event that a retirement allowance becomes payable to the designated survivor of a  
11 retired member under the provisions above and such retirement allowance to the survivor shall  
12 terminate upon the death of the survivor before the total of the retirement allowances paid to  
13 the retiree and the designated survivor combined equals the amount of the accumulated  
14 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
15 contributions over the total of the retirement allowances paid to the retiree and the survivor  
16 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
17 nominated by electronic submission in a form approved by the Board of Trustees or by written  
18 designation duly acknowledged and filed with the Board of Trustees, if such person or persons  
19 are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
20 purposes of this paragraph, the term "accumulated contributions" includes amounts of  
21 employee voluntary contributions that were transferred from the Supplemental Retirement  
22 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
23 enforcement officers.

24 In the event that a retirement allowance becomes payable to the principal beneficiary  
25 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
26 section and that beneficiary dies before the total of the retirement allowances paid equals the  
27 amount of the accumulated contributions of the member at the date of the member's death, the  
28 excess of those accumulated contributions over the total of the retirement allowances paid to  
29 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
30 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
31 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
32 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
33 amounts of employee voluntary contributions that were transferred from the Supplemental  
34 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
35 law enforcement officers.

36 In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be  
37 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
38 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
39 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,  
40 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
41 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
42 total of the increase in the retirement allowance attributable to the additional creditable service,  
43 paid from the month following the month in which payment was received to the death of the  
44 retiree.

45 In the event that a retirement allowance becomes payable to the designated survivor of a  
46 retired member under the provisions above and such retirement allowance to the survivor shall  
47 terminate upon the death of the survivor before the total of the increase in the retirement  
48 allowance attributable to the additional creditable service paid to the retiree and the designated  
49 survivor combined equals the cost of the creditable service purchased less the administrative  
50 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
51 have nominated by electronic submission in a form approved by the Board of Trustees or by

1 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
2 persons are living at the time such payment falls due, otherwise to the retiree's legal  
3 representative.

4 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
5 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
6 the member's estate."

7 **SECTION 4.** G.S. 128-27(m1) reads as rewritten:

8 "(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a  
9 member who is a law enforcement officer vested as of June 30, 2010, may elect to transfer any  
10 portion of his eligible accumulated contributions, not including any Roth after-tax contributions  
11 and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina to  
12 this Retirement System and receive, in addition to his basic service, early or disability  
13 retirement allowance, a special retirement allowance which shall be based upon his eligible  
14 accumulated account balance at the date of the transfer of the assets to this System. For the  
15 purpose of determining the special retirement allowance, the Board of Trustees shall adopt  
16 straight life annuity factors on the basis of mortality tables, such other tables as may be  
17 necessary and the interest assumption rate recommended by the actuary based upon actual  
18 experience including an assumed annual post-retirement allowance increase of four percent  
19 (4%). The Board of Trustees shall modify such factors every five years, as shall be deemed  
20 necessary, based upon the five year experience study as required by G.S. 128-29(e).  
21 G.S. 128-28(o). Provided, however, a member who transfers his eligible accumulated  
22 contributions from the Supplemental Retirement Income Plan of North Carolina shall be taxed  
23 for North Carolina State Income tax purposes on the special retirement allowance the same as if  
24 that special retirement allowance had been paid directly by the Supplemental Retirement  
25 Income Plan of North Carolina. The Local Governmental Employees' Retirement System shall  
26 be responsible to determine the taxable amount, if any, and report accordingly."

27 **SECTION 5.** G.S. 128-27 is amended by adding a new subsection to read:

28 "(m2) Special Retirement Allowance. – At any time coincident with or following  
29 retirement, a member may make a onetime election to transfer any portion of the member's  
30 eligible accumulated contributions, not including any Roth after-tax contributions and the  
31 earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the  
32 North Carolina Public Employee Deferred Compensation Plan to this Retirement System and  
33 receive, in addition to the member's basic service, early or disability retirement allowance, a  
34 special retirement allowance which shall be based upon the member's transferred balance.  
35 Notwithstanding anything to the contrary, a member may not transfer such amounts that will  
36 cause the member's retirement allowance under the System to exceed the amount allowable  
37 under G.S. 128-38.2(b). The Board of Trustees may establish a minimum amount that must be  
38 transferred if a transfer is elected. The member may elect a special retirement allowance with  
39 no postretirement increases or a special retirement allowance with annual postretirement  
40 increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement  
41 increases on any other allowance will not apply to the special retirement allowance.

42 For the purpose of determining the special retirement allowance, the Board of Trustees shall  
43 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality  
44 and such other tables as may be necessary based upon actual experience. A single set of  
45 mortality and such other tables will be used for all members, with factors differing only based  
46 on the age of the member and the election of postretirement increases. The Board of Trustees  
47 shall modify the mortality and such other tables every five years, as shall be deemed necessary,  
48 based upon the five-year experience study as required by G.S. 128-28(o). Provided, however, a  
49 member who transfers the member's eligible accumulated contributions from the Supplemental  
50 Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred  
51 Compensation Plan to this Retirement System shall be taxed for North Carolina State Income



1 Tax purposes on the special retirement allowance the same as if that special retirement  
2 allowance had been paid directly by the Supplemental Retirement Income Plan of North  
3 Carolina. The Local Governmental Employees' Retirement System shall be responsible to  
4 determine the taxable amount, if any, and report accordingly.

5 The Board of Trustees shall determine a period certain in which the special retirement  
6 allowance shall be payable. If the retired member and the person nominated to receive a  
7 monthly retirement allowance upon the member's death, if any, die within the period of time  
8 specified by the Board of Trustees, the special retirement allowance shall continue to be paid  
9 for the remainder of the specified period to the legal representative of the member or to such  
10 person as the member shall nominate by written designation duly acknowledged and filed with  
11 the Board of Trustees.

12 Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess a  
13 one-time flat administrative fee to cover the administrative expenses relating to these transfers.

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

18 The General Assembly reserves the right to repeal or amend this subsection, but such repeal  
19 or amendment shall not affect any person who has already made the onetime election provided  
20 herein."

21 **SECTION 6.** G.S. 128-27(g1) reads as rewritten:

22 "(g1) In the event of the death of a retired member while in receipt of a retirement  
23 allowance under the provisions of this Article, there shall be paid to such person or persons as  
24 the retiree shall have nominated by electronic submission in a form approved by the Board of  
25 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
26 such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
27 legal representatives, a death benefit equal to the excess, if any, of the accumulated  
28 contributions of the retiree at the date of retirement over the total of the retirement allowances  
29 paid prior to the death of the retiree. For purposes of this paragraph, the term "accumulated  
30 contributions" includes amounts of employee voluntary contributions that were transferred  
31 from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at  
32 retirement by eligible law enforcement officers. In the event that a retiree is receiving a Special  
33 Retirement Allowance under subsection (m1) of this section, there shall be paid to such person  
34 or persons as the retiree shall have nominated by electronic submission in a form approved by  
35 the Board of Trustees or by written designation duly acknowledged and filed with the Board of  
36 Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the  
37 retiree's legal representatives, an additional death benefit equal to the excess, if any, of the  
38 employee voluntary contributions that were transferred from the Supplemental Retirement  
39 Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation  
40 Plan to this Retirement System over the total of the Special Retirement Allowances paid prior  
41 to the death of the retiree. For purposes of this paragraph, the term "accumulated contributions"  
42 excludes any amount transferred under subsection (m2) of this section.

43 In the event that a retirement allowance becomes payable to the designated survivor of a  
44 retired member under the provisions above and such retirement allowance to the survivor shall  
45 terminate upon the death of the survivor before the total of the retirement allowances paid to  
46 the retiree and the designated survivor combined equals the amount of the accumulated  
47 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
48 contributions over the total of the retirement allowances paid to the retiree and the survivor  
49 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
50 nominated by electronic submission in a form approved by the Board of Trustees or by written  
51 designation duly acknowledged and filed with the Board of Trustees, if such person or persons



1 are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
2 purposes of this paragraph, the term "accumulated contributions" includes amounts of  
3 employee voluntary contributions that were transferred from the Supplemental Retirement  
4 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
5 enforcement officers.

6 In the event that a retirement allowance becomes payable to the principal beneficiary  
7 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
8 section and that beneficiary dies before the total of the retirement allowances paid equals the  
9 amount of the accumulated contributions of the member at the date of the member's death, the  
10 excess of those accumulated contributions over the total of the retirement allowances paid to  
11 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
12 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
13 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
14 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
15 amounts of employee voluntary contributions that were transferred from the Supplemental  
16 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
17 law enforcement officers.

18 In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be  
19 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
20 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
21 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,  
22 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
23 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
24 total of the increase in the retirement allowance attributable to the additional creditable service,  
25 paid from the month following the month in which payment was received to the death of the  
26 retiree.

27 In the event that a retirement allowance becomes payable to the designated survivor of a  
28 retired member under the provisions above, and such retirement allowance to the survivor shall  
29 terminate upon the death of the survivor before the total of the increase in the retirement  
30 allowance attributable to the additional creditable service paid to the retiree and the designated  
31 survivor combined equals the cost of the creditable service purchased less the administrative  
32 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
33 have nominated by electronic submission in a form approved by the Board of Trustees or by  
34 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
35 persons are living at the time such payment falls due, otherwise to the retiree's legal  
36 representative.

37 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
38 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
39 the member's estate."

40 **SECTION 7.** This act becomes effective January 1, 2011. Any beneficiary who  
41 retired prior to January 1, 2011 will not be allowed to make the one-time election until July 1,  
42 2011. Any administrative fees accessed by the Boards of Trustees may be used to hire  
43 additional personnel to administer this act.



# NORTH CAROLINA GENERAL ASSEMBLY

## Legislative Services Office

George R. Hall, Legislative Services Officer

*Legislative Research Division*  
N. Salisbury Street, Suite 619  
Raleigh, NC 27603-5925  
Tel. 919-733-4910 Fax 919-715-3589

*Marilyn Chism*  
Director

June 16, 2010

### MEMORANDUM

TO: Representative Angela Bryant

FROM: Stanley Moore *SM*  
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 2066

Re: Special Retirement Allowances

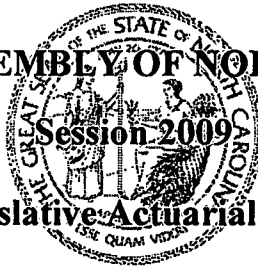
In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Representative Russell Tucker  
House Principal Clerk

#### Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates

GENERAL ASSEMBLY OF NORTH CAROLINA



Legislative Actuarial Note

RETIREMENT

**BILL NUMBER:** House Bill 2066 (First Edition)

**SHORT TITLE:** Special Retirement Allowances.

**SPONSOR(S):** Representative Bryant

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**FUNDS AFFECTED:** Any State or local employee who has funds in the Supplemental Retirement Income Plan and the Public Employee Deferred Compensation Plan.

**SYSTEM OR PROGRAM AFFECTED:** Teachers' & State Employees' Retirement System, Local Governmental Employees' Retirement System, the Supplemental Retirement Income Plan and the Public Employee Deferred Compensation Plan.

**EFFECTIVE DATE:** July 1, 2010

**BILL SUMMARY:**

Sections 1 and 4. Presently all State and local law enforcement officers are eligible to transfer the entire balance of the Supplemental Retirement Income Plan {401(k) Plan} to either the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System and receive a life annuity based on their age. This bill allows for the transfer of any portion of the fund balance rather than the entire fund balance. Any State or local officer with five or more years of service as of June 30, 2010 will continue to have this benefit.

Sections 2,3, 5 and 6: Creates a Special Retirement Allowance. This will allow all members of the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System to transfer any portion of their fund balances in either the Supplemental Retirement Income Plan or the Public Employee Deferred Compensation Plan on a onetime election at any time at or after retirement and receive a special retirement allowance which will be based on the amount of funds and age of the member.

The Board of Trustees may establish a minimum amount that must be transferred. The Board shall adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality and other tables as may be necessary based upon actual experience. A single set of mortality and other tables will be used for all members based on the age of the member and the election of post-retirement allowance. The Board shall modify the mortality and such other tables every five years based upon the five-year experience study as required. A member shall be taxed for North Carolina State Income Tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the Supplemental Retirement Income Plan of North Carolina.

**ESTIMATED IMPACT ON STATE:** Both, Buck Consultants, the Retirement Systems' actuary, and Hartman & Associates, the General Assembly's actuary, agree that the changes would not be expected to produce a significant financial impact to the retirement systems.

**ASSUMPTIONS AND METHODOLOGY:**

**Teachers' & State Employees' Retirement System**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2008 actuarial valuation of the fund. The data included 325,618 active members with an annual payroll of \$13.3 billion, 151,353 retired members in receipt of annual pensions totaling \$3.1 billion and actuarial value of assets equal to \$55.1 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) average salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables (tables are not adjusted for male teachers, set forward one year for female teachers, set forward two years for general employees and law enforcement officers and set forward two years for the beneficiaries of deceased member), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal cost method and a frozen liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**Local Governmental Employees' Retirement System**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2008 actuarial valuation of the fund. The data included 123,524 active members with an annual payroll of \$4.97 billion, 44,311 retired members in receipt of annual pensions totaling \$744.7 million and actuarial value of assets equal to \$17.1 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables, (tables are forward three years for males, set forward two years for females and set forward two years for the beneficiaries of deceased members and special mortality tables are used for period after disability retirement), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Gains and losses are reflected in the normal rate. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** Buck Consultants  
Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910. The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**SOURCES OF DATA:**

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION: (919) 733-4910**

**PREPARED BY: Stanley Moore**

**APPROVED BY: Marilyn Chism, Director**  
Fiscal Research Division

**DATE: June 16, 2010**



**Signed Copy Located in the NCGA Principal Clerk's Offices**

June 8, 2010

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: House Bill 2066**

Dear Mr. Vanderweide:

We have received your request of May 27 regarding House Bill 2066, which affects the provisions of the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS).

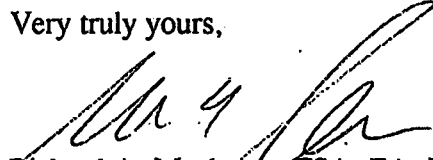
The proposed legislation amends G.S. 135-5(m1), G.S. 135-5(g1), G.S. 128-27(m1) and G.S. 128-27(g1); adds G.S. 135-5(m2) and G.S. 128-27(m2); and appears to allow all members to transfer balances from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employer Deferred Compensation Plan to the retirement systems and convert them to life annuities. The annuity factors would be adopted by the Board of Trustees based on U.S. Treasury Bond yields and the mortality experience of TSERS and LGERS. This legislation would become effective July 1, 2010.

The conversion of the transferred balances to monthly annuities will be based on actuarial equivalent factors using the mortality assumptions used for the valuations of TSERS and LGERS and interest rates that will be based on U.S. Treasury Bond yields. Based on long-term expectations of yields on U.S. Treasury Bonds and on long-term expectations of returns on the assets for TSERS and LGERS, it is more likely than not that the return on the assets for TSERS and LGERS will be larger than yields on U.S. Treasury Bonds, thus providing an excess return on the transferred balances. These excess returns should be sufficient to compensate TSERS and LGERS for the additional volatility of their investment strategies over investing wholly in U.S. Treasury Bonds. Therefore, the impact on TSERS and LGERS for this proposed legislation should be negligible.

Mr. David Vanderweide  
June 8, 2010  
Page 2

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, FSA, EA, MAAA  
Principal, Consulting Actuary

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\\NC\COR\00608RM2.DOC

**buckconsultants**

# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

June 8, 2010

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: House Bill 2066: An Act to Authorize Creation of Special Retirement Allowances For Retirees of the TSERS and LGERS

Dear Mr. Moore:

This bill amends G.S. 135-5 and G.S. 128-27 to modify the provisions for special retirement allowances from funds transferred to the Teachers' and State Employees' Retirement System (TSERS) or the Local Governmental Employees' Retirement System (LGERS). This act is effective July 1, 2010.

Currently, a law enforcement officer in either system may transfer his accumulated funds from the Supplemental Retirement Income Plan of North Carolina to the TSERS or LGERS upon retirement. The member then receives a special retirement allowance, in addition to the basic retirement allowance, based on the amount of funds transferred, annuity factors determined by the Board of Trustees, and an assumed annual increase in the allowance of 4%. This bill continues this option for members vested as of June 30, 2010 and allows transfer of any portion of the funds instead of only a complete transfer.

This bill also provides a second option for special retirement allowances. This option would allow a member to make a onetime election at or following retirement to transfer any portion of accumulated funds from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to the TSERS or LGERS. The member would then receive a special retirement allowance, in addition to the basic retirement allowance, based on annuity factors using yields on U.S. Treasury Bonds and mortality rates based on actual experience. The member could elect to receive either an allowance with no postretirement increases or with annual increases equal to the increase in the U.S. Consumer Price Index. Postretirement increases on any other allowances would not apply to the special retirement allowance. The Board of Trustees would modify the mortality and other tables every five years.

In my analysis of this bill, I have assumed that the determination of factors for special retirement allowances in the TSERS and LGERS will be consistent with the actuarial assumptions used for plan funding. These include mortality rates, investment returns, and CPI rates. Based on this methodology, the changes from this bill are not expected to have a material financial impact in the TSERS or LGERS.

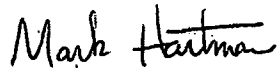


Mr. Stanley Moore  
June 8, 2010

Page 2

If you have any questions, let me know.

Sincerely,

A handwritten signature in cursive script that reads "Mark Hartman".

Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

1

HOUSE BILL 1778\*

Short Title: Brevard Academy/Retirement Election. (Public)

Sponsors: Representative Guice.

Referred to: Local Government II, if favorable, Pensions and Retirement.

May 19, 2010

1 A BILL TO BE ENTITLED  
2 AN ACT TO AUTHORIZE BREVARD ACADEMY, AN EXISTING CHARTER SCHOOL,  
3 TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES'  
4 RETIREMENT SYSTEM AND THE STATE HEALTH PLAN FOR TEACHERS AND  
5 STATE EMPLOYEES.

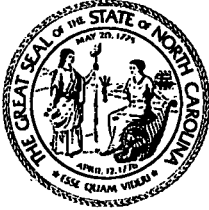
6 The General Assembly of North Carolina enacts:

7 SECTION 1. Notwithstanding the time limitation contained in G.S. 135-5.3 and  
8 G.S. 135-45.5, the Board of Directors of Brevard Academy, a charter school located in  
9 Brevard, may elect to become a participating employer in the Teachers and State Employees  
10 Retirement System in accordance with Article 1 of Chapter 135 of the General Statutes and  
11 may also elect to become a participating employing unit in the State Health Plan for Teachers  
12 and State Employees in accordance with Article 3A of Chapter 135. The elections authorized  
13 by this act shall be made no later than 30 days after the effective date of this act and shall be  
14 made in accordance with all other requirements of G.S. 135-5.3 and G.S. 135-45.5.

15 SECTION 2. This act is effective when it becomes law.



\* H 1 7 7 8 - V - 1 \*



# HOUSE BILL 1778: Brevard Academy/Retirement Election

2009-2010 General Assembly

**Committee:** House Pensions and Retirement  
**Introduced by:** Rep. Guice  
**Analysis of:** First Edition

**Date:** June 22, 2010  
**Prepared by:** Karen Cochrane-Brown  
Committee Counsel

**SUMMARY:** *House Bill 1778 authorizes participation by Brevard Academy in the Teachers' and State Employees' Retirement System and the State Health Plan for Teachers and State Employees if the Board of Directors of Brevard Academy elects to participate within thirty days from the effective date of the act.*

[As introduced, this bill was identical to S1256, as introduced by Sen. Snow, which was favorably reported by the Senate Pensions, Retirement & Aging committee on June 16, 2010, and is currently placed on the Senate calendar for June 24, 2010.]

## CURRENT LAW:

G.S. 135-5.3 outlines provisions for charter schools operated by private nonprofit corporations to participate in the Teachers' and State Employees' Retirement System. G.S. 135-5.3(b) provides that no later than 30 days after the written charter has been signed, the board of directors of a charter school operated by a private nonprofit corporation shall elect whether to become a participating employer in the Teachers' and State Employees' Retirement System. The election shall be in writing and filed with the Retirement System and the State Board of Education and is effective for each charter school employee as of the date of that employee's entry into eligible service.

G.S. 135-45.5 outlines provisions for charter schools operated by private nonprofit corporations to participate in the State Health Plan for Teachers and State Employees. G.S. 135-45.5(b) provides that no later than 30 days after the written charter has been signed, the board of directors of a charter school operated by a private nonprofit corporation shall elect whether to become a participating employer in the Plan. The election shall be in writing and filed with the Executive Administrator, the Board of Trustees, and the State Board of Education and is effective for each charter school employee as of the date of that employee's entry into eligible service.

## BILL ANALYSIS:

House Bill 1778 allows the Board of Directors of the Brevard Academy to elect to participate in the Retirement System and the State Health Plan for Teachers and State Employees notwithstanding the time limitation contained in G.S. 135-5.3 and G.S. 135-45.5. Under the bill, the election to participate by Brevard Academy's Board of Directors must be made within 30 days of the effective date of the act and the election must conform to all of the other requirements of G.S. 135-5.3 and G.S. 135-45.5.

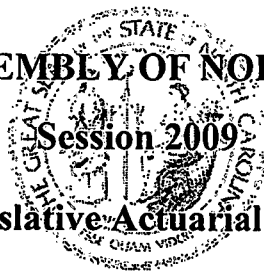
**EFFECTIVE DATE:** The bill becomes effective when it becomes law.

**BACKGROUND:** Brevard Academy is a charter school located in Transylvania County that was approved and opened in 1998.

H1778-SMRO-183(e1) v1

Theresa Matula, counsel to Senate Pensions & Retirement & Aging, substantially contributed to this summary.

# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

### HEALTH BENEFITS

**BILL NUMBER:** House Bill 1778 (First Edition)  
**SHORT TITLE:** Brevard Academy/Retirement Election.  
**SPONSOR(S):** Representative Guice

**SYSTEM OR PROGRAM AFFECTED:** State Health Plan for Teachers and State Employees (Plan).

**FUNDS AFFECTED:** State General Fund, State Highway Fund, other State employer receipts; premium payments for dependents of active employees and retired employees of State agencies and universities, local public schools and local community colleges; premium payments for coverages selected by eligible former employees; premium payments for coverages selected by firefighters, rescue squad workers, members of the National Guard, and certain authorized local governments.

**BILL SUMMARY:** House Bill 1778 (First Edition) permits the Boards of Directors of Brevard Academy, a public charter school, to become a participating employer under the Plan within 30 days after the act becomes law. Under G.S. 135-45.5, an election to join the Plan by the board of a charter school is irrevocable and shall require all eligible employees of the charter school to participate.

**EFFECTIVE DATE:** When it becomes law.

#### ESTIMATED IMPACT ON STATE:

The consulting actuary for the State Health Plan for Teachers and State Employees, Aon Consulting, estimates a financial loss to the Plan of \$44,340 for FY 2010-2011 if Brevard Academy school elects to participate in the Plan. Aon Consulting noted that by solely comparing the Plan's current plan member demographic data and the school's submitted employee and dependent demographic data, an estimated 7% less in claims, on average, could be expected from the school's group as compared to the Plan's covered group. However, without historical claims experience data from the school, Aon Consulting notes that there is no basis to determine the potential for adverse selection by the school's group against the Plan and thereby possibly increase the risk of higher claims costs to the Plan. Therefore, for the purposes of estimating the school's potential cost impact to the Plan, Aon Consulting assumed the school's claims would be greater on average due to adverse selection with a projected loss ratio of 151% of claims to premiums.

Hartman & Associates, consulting actuary for the General Assembly's Fiscal Research Division, estimates that the financial impact on the Plan would not be material upon Brevard Academy electing to participate in the Plan. Hartman and Associates noted that the employee and dependent demographics of the school's group compare similarly to current plan member demographics for the Plan, and that given the minimal number of prospective employees to be enrolled, there is not expected to be a significant financial impact as a percent of total claims. Hartman & Associates, however, also noted the lack of historical claims experience from which to make a more accurate estimate of impact.

The additional cost impact of the bill, projected by either consulting actuary, would be expected to impact total claims growth by approximately two thousandths of one percent (0.002%) for the 2010-2011 fiscal year based on the highest estimate of additional cost (i.e., \$44,340).

**ASSUMPTIONS AND METHODOLOGY:** The actuarial analyses used by each respective consulting actuary are on file with the Fiscal Research Division. Copies of each respective consulting actuary's analysis, including assumptions, are also attached to the original copy of this Legislative Actuarial note.

**Authorized Charter Schools:** As of December 2009, there are 54 charter schools with 3,286 enrolled active employees and dependents participating in the Plan.

**Data submitted by the School:** Aon Consulting and Hartman and Associates based their respective analyses in part on a distribution of participant schedule submitted by the School. The schedule below reflects the age and sex demographic data for employees and dependents of the school. The School was not able to provide claims experience data due to a prohibition by their incumbent carrier releasing claims information on groups smaller than 25 participants.

Distribution of Participants - Brevard Academy												
Ages	Active Employees			Dependents of Active Employees			Retired Employees			Dependents of Retired Employees		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-4			0			0			0			0
5-9			0	1		1			0			0
10-14			0	1	1	2			0			0
15-19			0			0			0			0
20-24		1	1			0			0			0
25-29		3	3			0			0			0
30-34	1	2	3			0			0			0
35-39		1	1			0			0			0
40-44		3	3	1		1			0		1	0
45-49		2	2			0			0			0
50-54		1	1			0			0			0
55-59		2	2			0			0			0
60-64		1	1			0			0			0
65-69			0			0			0			0
70-74			0			0			0			0
75-79			0			0			0			0
>79			0			0			0			0
Unknown			0			0			0			0
TOTAL	1	16	17	3	1	4	0	0	0	0	0	0

### Summary Information and Data about the Plan

The Plan administers health benefit coverage for active employees from employing units of State agencies and departments, universities, local public schools, and local community colleges. Eligible retired employees of authorized employing units may also access health benefit coverage under the Plan. Eligible dependents of active and retired employees are authorized to participate in the Plan provided they meet certain requirements. Employees and retired employees of selected local governments may also participate in the Plan under certain conditions. Members of fire, rescue squads, and the National Guard may also obtain coverage under the Plan provided they meet certain eligibility criteria.

As of July 1, 2009, the State finances the Plan on a self-funded basis and administers benefit coverage under a Preferred Provider Option (PPO) arrangement. The Plan's receipts are derived through premium contributions, investment earnings and other receipts. Premiums for health benefit coverage are paid by (1) employing agencies for active employees, (2) the Retiree Health Benefit Fund for retired employees, and (3) employees and retirees who elect dependent coverage. Total *revised* requirements for the Plan are

estimated to be \$2.55 billion for FY 2009-10 and \$2.74 billion for FY 2010-11. The Plan's PPO benefit design includes two alternative benefit levels listed below:

- 1) The "Basic" 70/30 plan that offers higher out-of pocket requirements in return for lower fully contributory dependent premiums; and
- 2) The "Standard" 80/20 plan.

The Basic and Standard plans offer coverage to employees and retired employees on a noncontributory basis. Coverage for dependents under both plans is offered on a fully contributory basis.

### **Financial Condition**

**Revised Financial Projection 2009-11 Biennium** – The following summarizes a revised financial projection be conducted by the Plan's consulting actuary, Aon Consulting, for the 2009-11 biennium. The information is provided by fiscal year based on year-to-date financial experience (through March 2010) and other updated factors.

For the fiscal year beginning July 1, 2009, the Plan began its operations with a beginning cash balance of \$189.9 million. Receipts for the year are projected to be \$2.41 billion from net premium collections, \$74.4 million from Medicare Part D subsidies, and \$3.4 million from investment earnings for a total of approximately \$2.49 billion in receipt income for the year. Projected disbursements from the Plan are expected to be \$2.39 billion in net claim-payment expenses and \$164.1 million in administration and claims-processing expenses for projected total expenses of nearly \$2.55 billion for FY 2009-10. The Plan's net operating loss is projected to be approximately \$66.3 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2009.

For the fiscal year beginning July 1, 2010, the Plan is projected to begin its operations with a beginning cash balance of \$123.6 million. Receipts for the year are projected to be \$2.68 billion from net premium collections, \$56.1 million from Medicare Part D subsidies, and \$2.7 million from investment earnings for a total of approximately \$2.73 billion in receipt income for the year. Projected disbursements from the Plan are expected to be \$2.55 billion in net claim-payment expenses and \$191.7 million in administration and claims-processing expenses for projected total expenses of nearly \$2.74 billion for FY 2010-11. The Plan's net operating loss is projected to be approximately \$7.1 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2010.

Based on the revised financial projection (May 2010), the Plan's estimated ending cash balance on June 30, 2011 is projected to be \$116.5 million. This amount is approximately \$75.7 million less than the originally projected (April 2009) ending cash balance of \$192.2 million.

**Original Financial Projection 2009-11 Biennium (April 2009)** – Session Law 2009-16 (Senate Bill 287) appropriated funds from various sources, authorized annual premium rate increases, made various benefit and provider related changes to achieve financial savings, and directed other various changes to the Plan. The enacted law also appropriated the sum of \$250 million from the Savings Reserve Account ("Rainy Day Fund") of the General Fund for the 2008-09 fiscal year. The following summarizes the original financial projection conducted by the Plan's consulting actuary, Aon Consulting, for the 2009-11 biennium. The following summarizes the original financial projection by fiscal year for the 2009-11 biennium and assumes the changes enacted in Session Law 2009-16 (Senate Bill 287).

For the fiscal year beginning July 1, 2009, the Plan was projected to begin its operations with a beginning cash balance of \$146.9 million. Receipts for the year were projected to be \$2.4 billion from net premium collections, \$56.3 million from Medicare Part D subsidies, and \$8.0 million from investment earnings for a total of approximately \$2.5 billion in receipt income for the year. Projected disbursements from the Plan were expected to be \$2.3 billion in net claim-payment expenses and \$185.6 million in administration and claims-processing expenses for projected total expenses of nearly \$2.5 billion for FY 2009-10. The Plan's net operating income was projected to be approximately \$14.8 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2009.

For the fiscal year beginning July 1, 2010, the Plan was projected to begin its operations with a beginning cash balance of \$161.6 million. Receipts for the year were projected to be \$2.7 billion from net premium collections, \$50.4 million from Medicare Part D subsidies, and \$8.8 million from investment earnings for a total of approximately \$2.7 billion in receipt income for the year. Projected disbursements from the Plan were expected to be \$2.5 billion in net claim-payment expenses and \$191.7 million in administration and claims-processing expenses for projected total expenses of nearly \$2.7 billion for FY 2010-11. The Plan's net operating income was projected to be approximately \$30.6 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2010.

### **Other Information**

Historically, the Plan has applied a premium increase in October of the first fiscal year of a biennium. However, the annual premium increases authorized in Session Law 2009-16 (Senate Bill 287) changes that methodology to an annual increase at the beginning of each fiscal year of the 2009-11 biennium.

Additional assumptions include Medicare benefit "carve-outs," cost containment strategies including prior approval for certain medical services, utilization of the "Blue Options" provider network, case and disease management for selected medical conditions, mental health case management, coordination of benefits with other payers, a prescription drug benefit manager with manufacturer rebates from formularies, and fraud detection, and other authorized actions by the Executive Administrator and Board of Trustees to manage the Plan to maintain and improve the Plan's operation and financial condition where possible. Claim cost trends are expected to increase at a rate of 9% annually according to the Plan's consulting actuary. Investment earnings are based upon a 4.5% return on available cash balances.

**Enrollment as of December 31, 2009**

<b>I. No. of Participants</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>	<b>Percent of Total</b>
<b>Actives</b>				
Employees	13,830	307,541	321,371	48.6%
Dependents	24,593	135,563	160,156	24.2%
Sub-total	38,423	443,104	481,527	72.8%
<b>Retired</b>				
Employees	2,074	151,395	153,469	23.2%
Dependents	1,313	18,075	19,388	2.9%
Sub-total	3,387	169,470	172,857	26.1%
<b>Former Employees with Continuation Coverage</b>				
Employees	121	3,120	3,241	0.5%
Dependents	87	749	836	0.1%
Sub-total	208	3,869	4,077	0.6%
<b>Firefighters, Rescue Squad &amp; National Guard</b>				
Employees	-	5	5	0.0%
Dependents	-	3	3	0.0%
Sub-total	-	8	8	0.0%
<b>Local Governments</b>				
Employees	91	1,829	1,920	0.3%
Dependents	174	777	951	0.1%
Sub-total	265	2,606	2,871	0.4%
<b>Total</b>				
Employees	16,116	463,885	480,001	72.6%
Dependents	26,167	155,164	181,331	27.4%
<b>Grand Total</b>	<b>42,283</b>	<b>619,049</b>	<b>661,332</b>	<b>100%</b>
<b>Percent of Total</b>	<b>6.4%</b>	<b>93.6%</b>	<b>100.0%</b>	



<b>II. Enrollment by Contract</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Employee Only	3,252	378,539	381,791
Employee Child(ren)	6,026	43,820	49,846
Employee Spouse	2,550	21,785	24,335
Employee Family	4,288	19,741	24,029
<b>Total</b>	<b>16,116</b>	<b>463,885</b>	<b>480,001</b>

<b>Percent Enrollment by Contract</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Employee Only	20.2%	81.6%	79.5%
Employee Child(ren)	37.4%	9.4%	10.4%
Employee Spouse	15.8%	4.7%	5.1%
Employee Family	26.6%	4.3%	5.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>III. Enrollment by Sex</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Female	22,479	390,209	412,688
Male	19,804	228,840	248,644
<b>Total</b>	<b>42,283</b>	<b>619,049</b>	<b>661,332</b>

<b>Percent Enrollment by Sex</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Female	53.2%	63.0%	62.4%
Male	46.8%	37.0%	37.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>IV. Enrollment by Age</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
19 & Under	17,315	95,431	112,746
20 to 29	3,311	57,142	60,453
30 to 44	9,555	120,292	129,847
45 to 54	6,455	108,447	114,902
55 to 64	4,090	128,933	133,023
65 & Over	1,557	108,804	110,361
<b>Total</b>	<b>42,283</b>	<b>619,049</b>	<b>661,332</b>

<b>Percent Enrollment by Age</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
19 & Under	41.0%	15.4%	17.0%
20 to 29	7.8%	9.2%	9.1%
30 to 44	22.6%	19.4%	19.6%
45 to 54	15.3%	17.5%	17.4%
55 to 64	9.7%	20.8%	20.1%
65 & Over	3.7%	17.6%	16.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>V. Retiree Enrollment by Category</b>	<b>Employee</b>	<b>Dependents</b>	<b>Total</b>
Non-Medicare Eligible	51,747	11,879	63,626
Medicare Eligible	101,722	7,509	109,231
<b>Total</b>	<b>153,469</b>	<b>19,388</b>	<b>172,857</b>

<b>VI. Enrollment By Major Employer Groups</b>	<b>Employees</b>	<b>Dependents</b>	<b>Total</b>
State Agencies	75,367	34,645	110,012
UNC System	50,106	29,726	79,832
Local Public Schools	181,270	88,258	269,528
Local Community Colleges	14,623	7,524	22,147
Other			
Local Governments	1,920	951	2,871
COBRA	3,241	836	4,077
Nat. Guard, Fire & Rescue	5	3	8
Sub-total	5,166	1,790	6,956
Retirement System	153,469	19,388	172,857
<b>Total</b>	<b>480,001</b>	<b>181,331</b>	<b>661,332</b>

<b>Percent Enrollment by Major Employer Groups</b>	<b>Employees</b>	<b>Dependents</b>	<b>Total</b>
State Agencies	15.7%	19.1%	16.6%
UNC System	10.4%	16.4%	12.1%
Local Public Schools	37.8%	48.7%	40.8%
Local Community Colleges	3.0%	4.1%	3.3%
Other			
Local Governments	0.4%	0.5%	0.4%
COBRA	0.7%	0.5%	0.6%
Nat. Guard, Fire & Rescue	0.0%	0.0%	0.0%
Sub-total	1.1%	1.0%	1.1%
Retirement System	32.0%	10.7%	26.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**SOURCES OF DATA:**

-Actuarial Note, Hartman & Associates, "House Bill 1778: An Act to Authorize and Existing Charter School to Elect to Participate in the State Health Plan for Teachers and State Employees", May 25, 2010, an original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, "House Bill 1778 [v.0] Brevard Academy/State Health Plan", June 4, 2010, an original of which is on file with the State Health Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

**FISCAL RESEARCH DIVISION: (919) 733-4910**

**PREPARED BY:** Mark Trogdon

**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division

**DATE:** June 14, 2010



**Signed Copy Located in the NCGA Principal Clerk's Offices**

**NORTH CAROLINA STATE HEALTH PLAN  
FOR TEACHERS AND STATE EMPLOYEES**

**HOUSE BILL 1778**

**BREVARD ACADEMY/  
STATE HEALTH PLAN**

**Prepared by:**

**Aon Consulting  
One Piedmont Center  
3565 Piedmont Road, N.E.  
Atlanta, Georgia 30305**

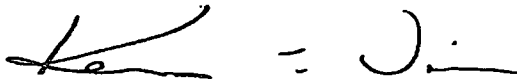
**June 2010**

## ACTUARIAL STATEMENT

The North Carolina State Health Plan for Teachers and State Employees has requested that Aon Consulting prepare an Actuarial Note in response to House Bill 1778 entitled "A Bill to be Entitled An Act To Authorize Brevard Academy, An Existing Charter School, To Elect To Participate In The Teachers' And State Employees' Retirement System And The State Health Plan For Teachers And State Employees".

The Actuarial Note was prepared according to generally accepted actuarial principles and practices, in compliance with General Statute 120-114. As required by statute, the Note includes an explanatory statement of the proposed change(s) and, to the extent possible, an estimate of the financial and actuarial effect of the proposed change(s) on the Plan. The Actuarial Note makes no comment or opinion with regard to the merits of the measure for which the Note is prepared; however, any identified technical or mechanical defects have been noted.

We have reviewed the input and results of our analysis for reasonableness, and relied upon the data and information provided by the Plan and their Claims Processing Contractor.



---

Kenneth C. Vieira, F.S.A., M.A.A.A.  
Senior Vice President

June 4, 2010  
Date

## **OPTIONAL PLAN COVERAGE FOR BREVARD ACADEMY**

### **PLAN CHANGES**

The General Assembly of North Carolina enacts:

**SECTION 1.** Notwithstanding the time limitation contained in G.S. 135-5.3 and G.S. 135-45.5, the Board of Directors of Brevard Academy, a charter school located in Brevard, may elect to become a participating employer in the Teachers and State Employees Retirement System in accordance with Article 1 of Chapter 135 of the General Statutes and may also elect to become a participating employing unit in the State Health Plan for Teachers

and State Employees in accordance with Article 3A of Chapter 135. The elections authorized

by this act shall be made no later than 30 days after the effective date of this act and shall be made in accordance with all other requirements of G.S. 135-5.3 and G.S. 135-45.5.

**SECTION 2.** This act is effective when it becomes law.

### **PROJECTED COSTS/SAVINGS**

<b>Plan Design Change</b>	<b>Projected Costs/Savings</b>
The Brevard Academy Authorized to Participate in Plan Optional Coverage	Estimated FY11 Cost: \$44,340

## **PRICING APPROACH AND COMMENTS**

The following information was compiled and utilized in determining the projected costs or savings for each benefit component addressed in this actuarial note:

- A census report was received from Fiscal Research that shows a distribution of the Brevard Academy dependents and retirees by age and gender. The membership levels were compared to those in the State Health Plan. The results showed that the Brevard Academy members would produce claims that were 7% less than those expected by the average SHP membership. These calculations were based solely on the submitted age and sex distributions and have no relationship to the actual claims experience of the Brevard Academy members.
- The only additional cost to the plan for covering these employees would be the cost of any excess risk for these members. That would result in potential losses to the plan, where claims and expenses exceed collected premiums.
- No experience data was received for Brevard Academy. If this group, currently not participating in the State Health Plan, is made eligible, it is very likely that the group will have "adverse selection". Claims factors for these types of risk typically range from 125-200% of expected Plan costs, with some instances being as high as 300%. With a 150% assumed adverse selection, in combination with a 93% age/sex factor, we would expect a loss ratio of 140%. Adding expenses would put the loss ratio at approximately 151%.
- There are currently 17 employees and retirees participating in the Brevard Academy Plan. Assuming the same membership patterns as current, we would expect 21 total members. With an average cost of \$4,140 per member, we expect a cost of  $21 \times \$4,140 \times 51\%$  or about \$44,340. Due to the size of this group, varied assumptions would have negligible impact on the plan.

# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

ne: (336) 731-4038

:: (336) 731-2583

668 Link Road  
Lexington, NC 27295

May 25, 2010

Mr. Mark Trogdon  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: House Bill 1778: An Act to Authorize an Existing Charter School to Elect to Participate in the State Health Plan for Teachers and State Employees

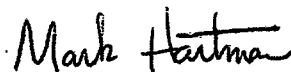
Dear Mr. Trogdon:

This bill provides an opportunity for one existing charter school, Brevard Academy, to elect to participate in the North Carolina State Health Plan for Teachers and State Employees. Currently, G.S. 135-45.5 provides that the Board of Directors of each charter school must make an irrevocable election to join the Plan, and if elected, all employees of the charter school are required to participate. The election must be made within 30 days after the date the charter is signed. This bill would provide an additional opportunity for this specific school to elect to participate in the Plan if the election is made no later than 30 days after the effective date of this act. This act is effective when it becomes law.

The charter school employees would be subject to the same benefit provisions and contribution rates as current Plan members. I reviewed the census data for 17 active employees and 4 dependents of the school. The demographics show similar expected costs to those under the Plan. We do not have prior claims experience of this group to compare to Plan experience. However, given the number of potential members and the demographic data, I do not expect this bill to have a material impact on the Plan.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt



**PUBLIC BILL**

H.B. 1778

SESSION LAW \_\_\_\_\_

**A BILL TO BE ENTITLED**

AN ACT TO AUTHORIZE BREVARD ACADEMY, AN EXISTING CHARTER SCHOOL, TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES.

*W. D. H. G.*  
Introduced by Representative(s): Guice.

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

Principal Clerk's Use Only

SED 1st READING

MAY 19 2010

AND REFERRED TO COMMITTEE  
ON Local Government II

B. Gov Pensions & Retirement

For the Committee

~~this bill, recommend that it do~~  
~~a majority being present, having con~~

~~The Committee on~~  
~~Committee on Local Government II~~

~~ity being present, having considered~~  
~~recommend that it do~~ ✓ ~~pass.~~

Rep. R. Van Brunt

For the Committee

to be re-referred to the  
Committee on Pensions and Retirement

**REPORTED FAVORABLY**

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☐ Committee Substitute for

**HB 1778**                    A BILL TO BE ENTITLED AN ACT TO AUTHORIZE BREVARD ACADEMY, AN EXISTING CHARTER SCHOOL, TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES.

☒ With a favorable report.

**(FOR JOURNAL USE ONLY)**

---

\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of \_\_\_\_\_.

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

S

1

**SENATE BILL 1356\***

Short Title: Increase Wilkesboro Firemen's Pension. (Local)

Sponsors: Senator Goss.

Referred to: Pensions & Retirement & Aging.

May 25, 2010

1 A BILL TO BE ENTITLED  
2 AN ACT TO INCREASE THE MONTHLY BENEFIT TO MEMBERS OF THE  
3 WILKESBORO FIREMEN'S SUPPLEMENTAL PENSION FUND.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** Section 4 of Chapter 131 of the 1985 Session Laws, as amended by  
6 Section 1 of S.L. 1999-56, reads as rewritten:

7 "Sec. 4. Any member who has served 20 years as a fireman in the Wilkesboro Fire  
8 Department and has attained the age of 55 or who has served for five or more years and has  
9 become totally and permanently disabled is entitled to receive a monthly pension from the  
10 "Supplemental Pension Fund". This monthly pension shall be ~~in the amount of one hundred~~  
11 ~~dollars (\$100.00) per month, equal to the monthly pension amount paid by the North Carolina~~  
12 Firemen's and Rescue Squad Workers' Pension Fund under G.S. 58-86-55 and shall be adjusted  
13 to match that State pension amount whenever that amount is amended. If, for any reason, the  
14 Fund shall be insufficient to pay in full any pension benefits, or other charges, then all benefits  
15 shall be reduced pro rata for as long as the deficiency in amount exists. No claim shall accrue  
16 with respect to any amount by which a benefit payment shall have been reduced."

17 **SECTION 2.** This act becomes effective July 1, 2010.



\* S 1 3 5 6 - V - 1 \*





## **SENATE BILL 1356: Increase Wilkesboro Firemen's Pension**

*2009-2010 General Assembly*

**Committee:** House Pensions and Retirement  
**Introduced by:** Sen. Goss  
**Analysis of:** First Edition

**Date:** June 22, 2010  
**Prepared by:** Theresa Matula  
Committee Staff

**SUMMARY:** *Senate Bill 1356 ties the monthly pensions of the Supplemental Pension Fund for the Fire Department of the Town of Wilkesboro to the monthly pension amounts for the North Carolina Firemen's and Rescue Squad Workers' Pension Fund which are contained in G.S. 58-86-55.*

[As introduced, this bill was identical to H1941, as introduced by Rep. Randleman, which is currently in House Local Government II, if favorable, Pensions and Retirement.]

### **CURRENT LAW:**

Chapter 131 of the 1985 Session Laws established a Supplemental Pension Fund for the Fire Department of the Town of Wilkesboro. The Fund provides for a monthly pension to any member who served 20 years as a fireman in the Wilkesboro Fire Department and reached the age of 55, or served for five or more year and has become totally and permanently disabled. S.L. 1999-56 increased the monthly pension from \$75 to \$100.

### **BILL ANALYSIS:**

Senate Bill 1356 amends Section 4 of Chapter 131 of the 1985 Session Laws, as amended by Section 1 of S.L. 1999-56. The bill amends the monthly pension of the Supplemental Pension Fund for the Fire Department of the Town of Wilkesboro by deleting the specified monthly amount of \$100. The specified amount is replaced with language requiring the monthly pension of the Supplemental Fund to be equal to the monthly pension amount paid by the North Carolina Firemen's and Rescue Squad Workers' Pension Fund and to adjust the Wilkesboro Fund pension to match the State pension amount when it is amended.

Provisions for the monthly pensions payable under the North Carolina Firemen's and Rescue Squad Workers' Pension Fund are contained in 58-86-55. Under the North Carolina Firemen's and Rescue Squad Workers' Pension Fund the current monthly pension is \$170.

The immediate effect for the Supplemental Pension Fund for the Fire Department of the Town of Wilkesboro will be an increased monthly pension from \$100 to \$170. Then each time an increase is approved for the North Carolina Firemen's and Rescue Squad Workers' Pension Fund, the Wilkesboro fund will be able to match that amount.

Senate Bill 1356 would become effective July 1, 2010

### **BACKGROUND:**

Since 1995, most years the General Assembly has approved an increase ranging from \$2 to \$6 in the monthly pension of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund.

*S1356-SMSH-192(e1) v1*



## HOUSE BILL 1941: Increase Wilkesboro Firemen's Pension

2009-2010 General Assembly

**Committee:** House Pensions and Retirement  
**Introduced by:** Rep. Randleman  
**Analysis of:** Second Edition

**Date:** June 22, 2010  
**Prepared by:** Theresa Matula  
Committee Staff

**SUMMARY:** *House Bill 1941 ties the monthly pensions of the Supplemental Pension Fund for the Fire Department of the Town of Wilkesboro to the monthly pension amounts for the North Carolina Firemen's and Rescue Squad Workers' Pension Fund which are contained in G.S. 58-86-55.*

[As introduced, this bill was identical to S1356, as introduced by Sen. Goss, which is currently in House Pensions and Retirement.]

### CURRENT LAW:

Chapter 131 of the 1985 Session Laws established a Supplemental Pension Fund for the Fire Department of the Town of Wilkesboro. The Fund provides for a monthly pension to any member who served 20 years as a fireman in the Wilkesboro Fire Department and reached the age of 55, or served for five or more year and has become totally and permanently disabled. S.L. 1999-56 increased the monthly pension from \$75 to \$100.

### BILL ANALYSIS:

House Bill 1941 amends Section 4 of Chapter 131 of the 1985 Session Laws, as amended by Section 1 of S.L. 1999-56. The bill amends the monthly pension of the Supplemental Pension Fund for the Fire Department of the Town of Wilkesboro by deleting the specified monthly amount of \$100. The specified amount is replaced with language requiring the monthly pension of the Supplemental Fund to be equal to the monthly pension amount paid by the North Carolina Firemen's and Rescue Squad Workers' Pension Fund and to adjust the Wilkesboro Fund pension to match the State pension amount when it is amended.

Provisions for the monthly pensions payable under the North Carolina Firemen's and Rescue Squad Workers' Pension Fund are contained in 58-86-55. Under the North Carolina Firemen's and Rescue Squad Workers' Pension Fund the current monthly pension is \$170.

The immediate effect for the Supplemental Pension Fund for the Fire Department of the Town of Wilkesboro will be an increased monthly pension from \$100 to \$170. Then each time an increase is approved for the North Carolina Firemen's and Rescue Squad Workers' Pension Fund, the Wilkesboro fund will be able to match that amount.

House Bill 1941 would become effective July 1, 2010

### BACKGROUND:

Since 1995, most years the General Assembly has approved an increase ranging from \$2 to \$6 in the monthly pension of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund.

H1941-SMSH-193(e2) v1



# NORTH CAROLINA GENERAL ASSEMBLY

## Legislative Services Office

George R. Hall, Legislative Services Officer

### *Fiscal Research Division*

10 N. Salisbury Street, Suite 619  
Raleigh, NC 27603-5925  
Tel. 919-733-4910 Fax 919-715-3589

*Marilyn Chism, Director*

May 28, 2010

Representative Steve Goss  
Legislative Building, Room 1028  
Raleigh, North Carolina 27603

Re: Actuarial/Fiscal Note for Senate Bill 1356 (Wilkesboro Firemen's Supplemental Pension Fund)

Dear Senator Goss:

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, we hereby submit an Actuarial/Fiscal Note on the following: The present law provides that any member who has served 20 years as a fireman with the Town of Wilkesboro and has reached age 55 is entitled to receive a monthly benefit of \$100.00 from the Town of Wilkesboro Supplemental Pension Fund. The proposed change will increase the monthly benefit to an amount equal to the monthly benefit paid from the North Carolina Firemen's and Rescue Squad Workers' Pension Fund and will be adjusted at any time that the amount is changed in the future.

A reliable estimate of the financial and actuarial effects of the foregoing proposal is as follows: The Town of Wilkesboro Supplemental Pension Fund is financed by the transfer of funds including investment income in excess of \$5,000 from the Firemen's Relief Fund of the Town of Wilkesboro on an annual money-purchase basis. Since the total amount of benefits payable from the Fund each year is limited to the amount of its assets, the Fund is supported on a pay-as-you-go basis. The bill prohibits the Fund from incurring any additional liability unless sufficient assets are available to pay the liability.

### Actuarial Endorsement:

*Mark Hartman*

Mark Hartman  
Consulting Actuary  
Lexington, North Carolina

Sincerely,

*Stanley Moore*

Stanley Moore  
Fiscal Analyst  
Fiscal Research Division

S.B. **1356**

SESSION LAW \_\_\_\_\_

JD = # 1941

## A BILL TO BE ENTITLED

AN ACT TO INCREASE THE MONTHLY BENEFIT TO MEMBERS OF THE WILKESBORO FIREMEN'S SUPPLEMENTAL PENSION FUND.

Introduced by Senator(s)

Goss

*Goss*

Principal Clerk's Use Only

**FILED MAY 24 2010**

**PASSED 1st READING**

**MAY 25 2010**

AND REFERRED TO COMMITTEE  
ON *Pens, Ret & Aging*

Original Note Attached JUN - 7 2010

Committee on Pensions, Retirement & Aging  
from this bill was referred, a majority being  
ent and voting, has carefully considered the  
e an \_\_\_\_\_ mend that it do ☒ pass.

The Committee

**PASSED 2nd & 3rd  
READINGS**

*VV*

*VV*

**JUN 17 2010**

**ORDERED SENT TO  
HOUSE OF REPRESENTATIVE**

*Janet Pruitt*

**RECEIVED**

**JUN 21 2010**

*8:10 pm*

*sw*

**PASSED 1st READING**

**JUN 22 2010**

AND REFERRED TO COMMITTEE  
ON *Local Government*



**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

---

☐ Committee Substitute for

**SB 1356**                      A BILL TO BE ENTITLED AN ACT TO INCREASE THE MONTHLY  
BENEFIT TO MEMBERS OF THE WILKESBORO FIREMEN'S SUPPLEMENTAL PENSION FUND.

☒ With a favorable report.

**(FOR JOURNAL USE ONLY)**

---

\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of \_\_\_\_\_.

HOUSE PAGES

NAME OF COMMITTEE PENSIONS & RETIR. DATE 6-23-10

1. Name: Mark Falkner

County: Vance County

Sponsor: Ray

2. Name: hunter Rimmer

County: wake

Sponsor: vram

3. Name: Elliott Best

County: Wayne

Sponsor: Efton Sager

4. Name: Matt Trogdon

County: Randolph

Sponsor: Hurley

5. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

SGT-AT-ARM

1. Name: Reggie Sills

2. Name: Mike Martin

3. Name: \_\_\_\_\_

4. Name: \_\_\_\_\_

## VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

JUNE 23 2010

Name of Committee

Date

**VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK**

NAME

FIRM OR AGENCY AND ADDRESS

David Starling	NC DST
Michael Williams	"
David Vanderweide	"
Mitch Leonard	SEANC
Kay Emanuel	UNC School of Government
Marge Freeman	NCH&E
Chris Hauth	



North Carolina General Assembly  
**House Committee on Pensions & Retirement**  
**MINUTES**

~

Wednesday, June 30, 2010

The House Committee on Pensions and Retirement met Wednesday, June 30 2010 at 10:00 a.m. in Room 415 of the Legislative Office Building. The following members were present: Representative Russell Tucker, Chair, Representatives Folwell and Hurley Vice Chairs and Representatives Farmer-Butterfield, Ross and Tolson. Staff assisting the committee were Karen Cochrane-Brown, Theresa Matula, and Stanley Moore. Sixteen visitors attended and a visitor's registration sheet is attached as part of these minutes.

The Chair called the meeting to order and asked the pages to introduce themselves. They were Spencer Pegg, Stanley County, sponsored by Representative Stam, Dusk Stroud, Lenoir County, sponsored by Representative Braxton, Frazier Robinson, Guilford County, Sponsored by Representative Blust and Andy Steffan, Caswell County, sponsored by Representative Holliman. Sergeant-at-Arms were Don McLennan and Bill Bass.

Representative Tucker recognized Representative Bryant to bring back to the committee a bill that was discussed at the last meeting. **HB 2066 A BILL TO BE ENTITLED AN ACT TO AUTHORIZE THE CREATION OF SPECIAL RETIREMENT ALLOWANCES FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM. (Attachment #1).** A PCS was presented and Representative Tolson moved to accept it to be heard. Motion carried. Representative Bryant explained the PCS. After questions and discussion, Representative Ross moved to give a favorable report to the PCS, unfavorable to the original and re-refer to the Committee on Finance. Motion carried.

Representative Tucker, Chair called on Representative Folwell, Vice Chair to preside while he went to present his bill in another committee meeting. Representative Folwell recognized Representative England to present HB 2055 A BILL TO BE ENTITLED AN ACT TO PROVIDE THAT A LOCAL GOVERNMENT THAT HAS BEEN SUBMITTING PREMIUM PAYMENTS FOR ITS EMPLOYEES TO THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES IS NOT LIABLE FOR CONTRIBUTIONS OWED TO THE RETIREE HEALTH BENEFIT FUND FOR A SPECIFIED PERIOD. (Attachment #2). A PCS was brought forward and a motion was made by Representative Hurley to accept the PCS to be heard. Motion passed. Representative England explained the bill. He asked Mark Trogden, Fiscal Research Staff to assist in explaining the cost of premiums. After questions and discussion, Representative Ross moved to give the PCS a favorable report, unfavorable to the original bill. Motion carried.

Vice Chair Folwell recognized Senator East to explain SB 1386 A BILL TO BE ENTITLED AN ACT AUTHORIZING THE LEGISLATIVE RESEARCH COMMISSION TO STUDY ALLOWING EMPLOYEES MOVING BETWEEN STATE, CITY, AND COUNTY GOVERNMENT TO PORT THEIR SICK AND ANNUAL LEAVE. (Attachment #3). After Senator East explained the bill, there were questions and discussion. Representative Ross sent forth an amendment. Representative Tolson made a motion to roll the amendment into a PCS and give it a favorable report, unfavorable to the original and refer it to House Rules. The motion was approved.

There being no further business, the meeting adjourned at 10:50 a.m.

Respectfully submitted,

  
Representative Russell Tucker, Chair

  
Sally Gillis, Committee Assistant

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

2

HOUSE BILL 2066  
Committee Substitute Favorable 6/22/10

Short Title: Special Retirement Allowances.

(Public)

Sponsors:

Referred to:

May 27, 2010

## A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE CREATION OF SPECIAL RETIREMENT ALLOWANCES  
FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT  
SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT  
SYSTEM.

The General Assembly of North Carolina enacts:

## SECTION 1. G.S. 135-5(m1) reads as rewritten:

"(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a member who is a law enforcement officer vested as of June 30, 2010, may elect to transfer any portion of his eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina to this Retirement System and receive, in addition to his basic service, early or disability retirement allowance, a special retirement allowance which shall be based upon his eligible accumulated account balance at the date of the transfer of the assets to this System. For the purpose of determining the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors on the basis of mortality tables, such other tables as may be necessary and the interest assumption rate recommended by the actuary based upon actual experience including an assumed annual post-retirement allowance increase of four percent (4%). The Board of Trustees shall modify such factors every five years, as shall be deemed necessary, based upon the five year experience study as required by G.S. 135-6(n). Provided, however, a member, who transfers his eligible accumulated contributions from the Supplemental Retirement Income Plan of North Carolina, shall be taxed for North Carolina State Income tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the Supplemental Retirement Income Plan of North Carolina. The Teachers' and State Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly."

## SECTION 2. G.S. 135-5 is amended by adding a new subsection to read:

"(m2) Special Retirement Allowance. – At any time coincident with or following retirement, a member may make a onetime election to transfer any portion of the member's eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to this Retirement System and receive, in addition to the member's basic service, early or disability retirement allowance, a special retirement allowance which shall be based upon the member's transferred balance. Notwithstanding anything to the contrary, a member may not transfer such amounts that will cause the member's retirement allowance under the System to exceed the amount allowable under G.S. 135-18.7(b). The Board of Trustees may establish a minimum amount that must be



1 transferred if a transfer is elected. The member may elect a special retirement allowance with  
2 no postretirement increases or a special retirement allowance with annual postretirement  
3 increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement  
4 increases on any other allowance will not apply to the special retirement allowance.

5 For the purpose of determining the special retirement allowance, the Board of Trustees shall  
6 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality  
7 and such other tables as may be necessary based upon actual experience. A single set of  
8 mortality and such other tables will be used for all members, with factors differing only based  
9 on the age of the member and the election of postretirement increases. The Board of Trustees  
10 shall modify the mortality and such other tables every five years, as shall be deemed necessary,  
11 based upon the five-year experience study as required by G.S. 135-6(n). Provided, however, a  
12 member who transfers the member's eligible accumulated contributions from the Supplemental  
13 Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred  
14 Compensation Plan to this Retirement System shall be taxed for North Carolina State Income  
15 Tax purposes on the special retirement allowance the same as if that special retirement  
16 allowance had been paid directly by the Supplemental Retirement Income Plan of North  
17 Carolina or the North Carolina Public Employee Deferred Compensation Plan. The Teachers'  
18 and State Employees' Retirement System shall be responsible to determine the taxable amount,  
19 if any, and report accordingly.

20 The Board of Trustees shall determine a period certain in which the special retirement  
21 allowance shall be payable. If the retired member and the person nominated to receive a  
22 monthly retirement allowance upon the member's death, if any, die within the period of time  
23 specified by the Board of Trustees, the special retirement allowance shall continue to be paid  
24 for the remainder of the specified period to the legal representative of the member or to such  
25 person as the member shall nominate by written designation duly acknowledged and filed with  
26 the Board of Trustees.

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

31 The General Assembly reserves the right to repeal or amend this subsection, but such repeal  
32 or amendment shall not affect any person who has already made the onetime election provided  
33 herein."

34 **SECTION 3. G.S. 135-5(g1) reads as rewritten:**

35 "(g1) In the event of the death of a retired member while in receipt of a retirement  
36 allowance under the provisions of this Article, there shall be paid to such person or persons as  
37 the retiree shall have nominated by electronic submission in a form approved by the Board of  
38 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
39 such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
40 legal representatives, a death benefit equal to the excess, if any, of the accumulated  
41 contributions of the retiree at the date of retirement over the total of the retirement allowances  
42 paid prior to the death of the retiree. For purposes of this paragraph, the term "accumulated  
43 contributions" includes amounts of employee voluntary contributions that were transferred  
44 from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at  
45 retirement by eligible law enforcement officers. In the event that a retiree is receiving a Special  
46 Retirement Allowance under subsection (m1) of this section, there shall be paid to such person  
47 or persons as the retiree shall have nominated by electronic submission in a form approved by  
48 the Board of Trustees or by written designation duly acknowledged and filed with the Board of  
49 Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the  
50 retiree's legal representatives, an additional death benefit equal to the excess, if any, of the  
51 employee voluntary contributions that were transferred from the Supplemental Retirement

1 Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation  
2 Plan to this Retirement System over the total of the Special Retirement Allowances paid prior  
3 to the death of the retiree. For purposes of this paragraph, the term "accumulated contributions"  
4 excludes any amount transferred under subsection (m2) of this section.

5 In the event that a retirement allowance becomes payable to the designated survivor of a  
6 retired member under the provisions above and such retirement allowance to the survivor shall  
7 terminate upon the death of the survivor before the total of the retirement allowances paid to  
8 the retiree and the designated survivor combined equals the amount of the accumulated  
9 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
10 contributions over the total of the retirement allowances paid to the retiree and the survivor  
11 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
12 nominated by electronic submission in a form approved by the Board of Trustees or by written  
13 designation duly acknowledged and filed with the Board of Trustees, if such person or persons  
14 are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
15 purposes of this paragraph, the term "accumulated contributions" includes amounts of  
16 employee voluntary contributions that were transferred from the Supplemental Retirement  
17 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
18 enforcement officers.

19 In the event that a retirement allowance becomes payable to the principal beneficiary  
20 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
21 section and that beneficiary dies before the total of the retirement allowances paid equals the  
22 amount of the accumulated contributions of the member at the date of the member's death, the  
23 excess of those accumulated contributions over the total of the retirement allowances paid to  
24 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
25 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
26 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
27 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
28 amounts of employee voluntary contributions that were transferred from the Supplemental  
29 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
30 law enforcement officers.

31 In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be  
32 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
33 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
34 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,  
35 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
36 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
37 total of the increase in the retirement allowance attributable to the additional creditable service,  
38 paid from the month following the month in which payment was received to the death of the  
39 retiree.

40 In the event that a retirement allowance becomes payable to the designated survivor of a  
41 retired member under the provisions above and such retirement allowance to the survivor shall  
42 terminate upon the death of the survivor before the total of the increase in the retirement  
43 allowance attributable to the additional creditable service paid to the retiree and the designated  
44 survivor combined equals the cost of the creditable service purchased less the administrative  
45 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
46 have nominated by electronic submission in a form approved by the Board of Trustees or by  
47 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
48 persons are living at the time such payment falls due, otherwise to the retiree's legal  
49 representative.



1 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
2 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
3 the member's estate."

4 **SECTION 4.** G.S. 128-27(m1) reads as rewritten:

5 "(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a  
6 member who is a law enforcement officer vested as of June 30, 2010, may elect to transfer any  
7 portion of his eligible accumulated contributions, not including any Roth after-tax contributions  
8 and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina to  
9 this Retirement System and receive, in addition to his basic service, early or disability  
10 retirement allowance, a special retirement allowance which shall be based upon his eligible  
11 accumulated account balance at the date of the transfer of the assets to this System. For the  
12 purpose of determining the special retirement allowance, the Board of Trustees shall adopt  
13 straight life annuity factors on the basis of mortality tables, such other tables as may be  
14 necessary and the interest assumption rate recommended by the actuary based upon actual  
15 experience including an assumed annual post-retirement allowance increase of four percent  
16 (4%). The Board of Trustees shall modify such factors every five years, as shall be deemed  
17 necessary, based upon the five year experience study as required by ~~G.S. 128-29(o)~~.  
18 G.S. 128-28(o). Provided, however, a member who transfers his eligible accumulated  
19 contributions from the Supplemental Retirement Income Plan of North Carolina shall be taxed  
20 for North Carolina State Income tax purposes on the special retirement allowance the same as if  
21 that special retirement allowance had been paid directly by the Supplemental Retirement  
22 Income Plan of North Carolina. The Local Governmental Employees' Retirement System shall  
23 be responsible to determine the taxable amount, if any, and report accordingly."

24 **SECTION 5.** G.S. 128-27 is amended by adding a new subsection to read:

25 "(m2) Special Retirement Allowance. – At any time coincident with or following  
26 retirement, a member may make a onetime election to transfer any portion of the member's  
27 eligible accumulated contributions, not including any Roth after-tax contributions and the  
28 earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the  
29 North Carolina Public Employee Deferred Compensation Plan to this Retirement System and  
30 receive, in addition to the member's basic service, early or disability retirement allowance, a  
31 special retirement allowance which shall be based upon the member's transferred balance.  
32 Notwithstanding anything to the contrary, a member may not transfer such amounts that will  
33 cause the member's retirement allowance under the System to exceed the amount allowable  
34 under G.S. 128-38.2(b). The Board of Trustees may establish a minimum amount that must be  
35 transferred if a transfer is elected. The member may elect a special retirement allowance with  
36 no postretirement increases or a special retirement allowance with annual postretirement  
37 increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement  
38 increases on any other allowance will not apply to the special retirement allowance.

39 For the purpose of determining the special retirement allowance, the Board of Trustees shall  
40 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality  
41 and such other tables as may be necessary based upon actual experience. A single set of  
42 mortality and such other tables will be used for all members, with factors differing only based  
43 on the age of the member and the election of postretirement increases. The Board of Trustees  
44 shall modify the mortality and such other tables every five years, as shall be deemed necessary,  
45 based upon the five-year experience study as required by G.S. 128-28(o). Provided, however, a  
46 member who transfers the member's eligible accumulated contributions from the Supplemental  
47 Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred  
48 Compensation Plan to this Retirement System shall be taxed for North Carolina State Income  
49 Tax purposes on the special retirement allowance the same as if that special retirement  
50 allowance had been paid directly by the Supplemental Retirement Income Plan of North

1 Carolina. The Local Governmental Employees' Retirement System shall be responsible to  
2 determine the taxable amount, if any, and report accordingly.

3 The Board of Trustees shall determine a period certain in which the special retirement  
4 allowance shall be payable. If the retired member and the person nominated to receive a  
5 monthly retirement allowance upon the member's death, if any, die within the period of time  
6 specified by the Board of Trustees, the special retirement allowance shall continue to be paid  
7 for the remainder of the specified period to the legal representative of the member or to such  
8 person as the member shall nominate by written designation duly acknowledged and filed with  
9 the Board of Trustees.

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

14 The General Assembly reserves the right to repeal or amend this subsection, but such repeal  
15 or amendment shall not affect any person who has already made the onetime election provided  
16 herein."

17 **SECTION 6. G.S. 128-27(g1) reads as rewritten:**

18 "(g1) In the event of the death of a retired member while in receipt of a retirement  
19 allowance under the provisions of this Article, there shall be paid to such person or persons as  
20 the retiree shall have nominated by electronic submission in a form approved by the Board of  
21 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
22 such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
23 legal representatives, a death benefit equal to the excess, if any, of the accumulated  
24 contributions of the retiree at the date of retirement over the total of the retirement allowances  
25 paid prior to the death of the retiree. For purposes of this paragraph, the term "accumulated  
26 contributions" includes amounts of employee voluntary contributions that were transferred  
27 from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at  
28 retirement by eligible law enforcement officers. In the event that a retiree is receiving a Special  
29 Retirement Allowance under subsection (m1) of this section, there shall be paid to such person  
30 or persons as the retiree shall have nominated by electronic submission in a form approved by  
31 the Board of Trustees or by written designation duly acknowledged and filed with the Board of  
32 Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the  
33 retiree's legal representatives, an additional death benefit equal to the excess, if any, of the  
34 employee voluntary contributions that were transferred from the Supplemental Retirement  
35 Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation  
36 Plan to this Retirement System over the total of the Special Retirement Allowances paid prior  
37 to the death of the retiree. For purposes of this paragraph, the term "accumulated contributions"  
38 excludes any amount transferred under subsection (m2) of this section.

39 In the event that a retirement allowance becomes payable to the designated survivor of a  
40 retired member under the provisions above and such retirement allowance to the survivor shall  
41 terminate upon the death of the survivor before the total of the retirement allowances paid to  
42 the retiree and the designated survivor combined equals the amount of the accumulated  
43 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
44 contributions over the total of the retirement allowances paid to the retiree and the survivor  
45 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
46 nominated by electronic submission in a form approved by the Board of Trustees or by written  
47 designation duly acknowledged and filed with the Board of Trustees, if such person or persons  
48 are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
49 purposes of this paragraph, the term "accumulated contributions" includes amounts of  
50 employee voluntary contributions that were transferred from the Supplemental Retirement

1 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
2 enforcement officers.

3 In the event that a retirement allowance becomes payable to the principal beneficiary  
4 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
5 section and that beneficiary dies before the total of the retirement allowances paid equals the  
6 amount of the accumulated contributions of the member at the date of the member's death, the  
7 excess of those accumulated contributions over the total of the retirement allowances paid to  
8 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
9 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
10 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
11 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
12 amounts of employee voluntary contributions that were transferred from the Supplemental  
13 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
14 law enforcement officers.

15 In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be  
16 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
17 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
18 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,  
19 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
20 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
21 total of the increase in the retirement allowance attributable to the additional creditable service,  
22 paid from the month following the month in which payment was received to the death of the  
23 retiree.

24 In the event that a retirement allowance becomes payable to the designated survivor of a  
25 retired member under the provisions above, and such retirement allowance to the survivor shall  
26 terminate upon the death of the survivor before the total of the increase in the retirement  
27 allowance attributable to the additional creditable service paid to the retiree and the designated  
28 survivor combined equals the cost of the creditable service purchased less the administrative  
29 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
30 have nominated by electronic submission in a form approved by the Board of Trustees or by  
31 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
32 persons are living at the time such payment falls due, otherwise to the retiree's legal  
33 representative.

34 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
35 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
36 the member's estate."

37 **SECTION 7.** This act becomes effective January 1, 2011.

PUBLIC BILL

Proposed Committee Substitute For  
H.B. 2066

SESSION LAW

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE CREATION OF SPECIAL RETIREMENT ALLOWANCES FOR RETIREES  
OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL  
GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

Introduced by Representative(s): *Bryant*


For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

Principal Clerk's Use Only

Committee on *St. Louis*  
being present, having considered  
bill, recommend that it do ☒ pass.  
*Rep. Willie Wilkins*  
For the Committee

And is referred to  
the Committee on Pensions

FAVORABLE TO COMM. SUB  
UNFAVORABLE TO BILL

JUN 22 2010

AND PLACED ON  
CALENDAR FOR

*re. Pension & Ret.*

## Member Choices under HB 2066

The member will be asked to make four choices, one in each of the following areas:

1. Amount of Transfer
2. Guarantee Option
  - a. Fixed minimum period
  - b. Guarantee that you will receive payments totaling your transferred balance
3. Cost of Living Adjustment (COLA) Option
  - a. No COLA
  - b. COLA equal to increase in CPI-U
  - c. COLA equal to COLA granted to TSERS/LGERS retirees (only available to law-enforcement vested before 6/30/2010)
4. Survivor Option
  - a. No survivor benefit
  - b. 50% payable for life to named beneficiary
  - c. 100% payable for life to named beneficiary
  - d. 50% payable for life to named beneficiary with pop-up to unreduced amount if beneficiary dies first
  - e. 100% payable for life to named beneficiary with pop-up to unreduced amount if beneficiary dies first

Under all options, the benefit will be payable until at least the death of the member, regardless of when that occurs. Given certain choices in area 2 or 4 above, the benefit may continue after the death of the member.

new

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

D

HOUSE BILL 2066  
Committee Substitute Favorable 6/22/10  
PROPOSED COMMITTEE SUBSTITUTE H2066-PCS50961-RO-121

Short Title: Special Retirement Allowances.

(Public)

Sponsors:

Referred to:

May 27, 2010

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE CREATION OF SPECIAL RETIREMENT ALLOWANCES FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 135-5(m1) reads as rewritten:

"(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a member who is a law enforcement officer vested as of June 30, 2010, may elect to transfer any portion of his eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina to this Retirement System and receive, in addition to his basic service, early or disability retirement allowance, a special retirement allowance which shall be based upon his eligible accumulated account balance at the date of the transfer of the assets to this System. For the purpose of determining the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors on the basis of mortality tables, such other tables as may be necessary and the interest assumption rate recommended by the actuary based upon actual experience including an assumed annual post-retirement allowance increase of four percent (4%). The Board of Trustees shall modify such factors every five years, as shall be deemed necessary, based upon the five year experience study as required by G.S. 135-6(n). Provided, however, a member, who transfers his eligible accumulated contributions from the Supplemental Retirement Income Plan of North Carolina, shall be taxed for North Carolina State Income tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the Supplemental Retirement Income Plan of North Carolina. The Teachers' and State Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly."

**SECTION 2.** G.S. 135-5 is amended by adding a new subsection to read:

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



\* H 2 0 6 6 - P C S 5 0 9 6 1 - R O - 1 2 1 \*

1 special retirement allowance which shall be based upon the member's transferred balance.  
2 Notwithstanding anything to the contrary, a member may not transfer such amounts as will  
3 cause the member's retirement allowance under the System to exceed the amount allowable  
4 under G.S. 135-18.7(b). The Board of Trustees may establish a minimum amount that must be  
5 transferred if a transfer is elected. The member may elect a special retirement allowance with  
6 no postretirement increases or a special retirement allowance with annual postretirement  
7 increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement  
8 increases on any other allowance will not apply to the special retirement allowance. The Board  
9 of Trustees shall provide educational materials to the members who apply for the transfer  
10 authorized by this section. Those materials shall describe the special retirement allowance and  
11 shall explain (i) the relationship between the transferred balance and the monthly benefit; and  
12 (ii) how the member's heirs may be impacted by the election to make this transfer and any costs  
13 and fees involved.

14 For the purpose of determining the special retirement allowance, the Board of Trustees shall  
15 adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality  
16 and such other tables as may be necessary based upon actual experience. A single set of  
17 mortality and such other tables will be used for all members, with factors differing only based  
18 on the age of the member and the election of postretirement increases. The Board of Trustees  
19 shall modify the mortality and such other tables every five years, as shall be deemed necessary,  
20 based upon the five-year experience study as required by G.S. 135-6(n). Provided, however, a  
21 member who transfers the member's eligible accumulated contributions from the Supplemental  
22 Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred  
23 Compensation Plan to this Retirement System shall be taxed for North Carolina State Income  
24 Tax purposes on the special retirement allowance the same as if that special retirement  
25 allowance had been paid directly by the Supplemental Retirement Income Plan of North  
26 Carolina or the North Carolina Public Employee Deferred Compensation Plan. The Teachers'  
27 and State Employees' Retirement System shall be responsible to determine the taxable amount,  
28 if any, and report accordingly.

29 The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess  
30 a one-time flat administrative fee not to exceed the actual cost of the administrative expenses  
31 relating to these transfers.

32 The special retirement allowance shall continue for the life of the member. The Board of  
33 Trustees shall establish two options that guarantee payments for a period that may exceed the  
34 life of the member and the member's designated beneficiary. In the first option, the member  
35 may elect to receive the special retirement allowance for a guaranteed number of months to be  
36 specified by the Board of Trustees. Under this option, if the member dies before the expiration  
37 of the specified number of months, the special retirement allowance will continue to be paid to  
38 the member's designated beneficiary for the life of the beneficiary. If the member's designated  
39 beneficiary dies before the expiration of the specified number of months, any remaining  
40 payments will be paid to the member's estate. In the second option, the member may elect to  
41 receive the special retirement allowance until the sum of monthly payments equals the total of  
42 the transferred balance. Under this second option, if the member dies before receiving the total  
43 transferred balance, the special retirement allowance will continue to be paid to the member's  
44 designated beneficiary for the life of the beneficiary. If the member's designated beneficiary  
45 dies before receiving the total transferred balance, any remaining amount will be paid to the  
46 member's estate.

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

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

4     **SECTION 3.** G.S. 135-5(g1) reads as rewritten:

5     "(g1) In the event of the death of a retired member while in receipt of a retirement  
6     allowance under the provisions of this Article, there shall be paid to such person or persons as  
7     the retiree shall have nominated by electronic submission in a form approved by the Board of  
8     Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
9     such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
10    legal representatives, a death benefit equal to the excess, if any, of the accumulated  
11    contributions of the retiree at the date of retirement over the total of the retirement allowances  
12    paid prior to the death of the retiree. ~~For purposes of this paragraph, the term "accumulated~~  
13    ~~contributions" includes amounts of employee voluntary contributions that were transferred~~  
14    ~~from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at~~  
15    ~~retirement by eligible law enforcement officers. In the event that a retiree is receiving a Special~~  
16    ~~Retirement Allowance under subsection (m1) of this section, there shall be paid to such person~~  
17    ~~or persons as the retiree shall have nominated by electronic submission in a form approved by~~  
18    ~~the Board of Trustees or by written designation duly acknowledged and filed with the Board of~~  
19    ~~Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the~~  
20    ~~retiree's legal representatives, an additional death benefit equal to the excess, if any, of the~~  
21    ~~employee's voluntary contributions that were transferred from the Supplemental Retirement~~  
22    ~~Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation~~  
23    ~~Plan to this Retirement System over the total of the Special Retirement Allowances paid prior~~  
24    ~~to the death of the retiree. For purposes of this paragraph, the term "accumulated contributions"~~  
25    ~~excludes any amount transferred under subsection (m2) of this section.~~

26    In the event that a retirement allowance becomes payable to the designated survivor of a  
27    retired member under the provisions above and such retirement allowance to the survivor shall  
28    terminate upon the death of the survivor before the total of the retirement allowances paid to  
29    the retiree and the designated survivor combined equals the amount of the accumulated  
30    contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
31    contributions over the total of the retirement allowances paid to the retiree and the survivor  
32    combined shall be paid in a lump sum to such person or persons as the retiree shall have  
33    nominated by electronic submission in a form approved by the Board of Trustees or by written  
34    designation duly acknowledged and filed with the Board of Trustees, if such person or persons  
35    are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
36    purposes of this paragraph, the term "accumulated contributions" includes amounts of  
37    employee voluntary contributions that were transferred from the Supplemental Retirement  
38    Income Plan of North Carolina to this Retirement System at retirement by eligible law  
39    enforcement officers.

40    In the event that a retirement allowance becomes payable to the principal beneficiary  
41    designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
42    section and that beneficiary dies before the total of the retirement allowances paid equals the  
43    amount of the accumulated contributions of the member at the date of the member's death, the  
44    excess of those accumulated contributions over the total of the retirement allowances paid to  
45    the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
46    as the contingent beneficiary for return of accumulated contributions, if the person or persons  
47    are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
48    representative. For purposes of this paragraph, the term "accumulated contributions" includes  
49    amounts of employee voluntary contributions that were transferred from the Supplemental  
50    Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
51    law enforcement officers.



1 In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be  
2 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
3 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
4 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,  
5 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
6 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
7 total of the increase in the retirement allowance attributable to the additional creditable service,  
8 paid from the month following the month in which payment was received to the death of the  
9 retiree.

10 In the event that a retirement allowance becomes payable to the designated survivor of a  
11 retired member under the provisions above and such retirement allowance to the survivor shall  
12 terminate upon the death of the survivor before the total of the increase in the retirement  
13 allowance attributable to the additional creditable service paid to the retiree and the designated  
14 survivor combined equals the cost of the creditable service purchased less the administrative  
15 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
16 have nominated by electronic submission in a form approved by the Board of Trustees or by  
17 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
18 persons are living at the time such payment falls due, otherwise to the retiree's legal  
19 representative.

20 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
21 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
22 the member's estate."

23 **SECTION 4.** G.S. 128-27(m1) reads as rewritten:

24 "(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a  
25 member who is a law enforcement officer vested as of June 30, 2010, may elect to transfer any  
26 portion of his eligible accumulated contributions, not including any Roth after-tax contributions  
27 and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina to  
28 this Retirement System and receive, in addition to his basic service, early or disability  
29 retirement allowance, a special retirement allowance which shall be based upon his eligible  
30 accumulated account balance at the date of the transfer of the assets to this System. For the  
31 purpose of determining the special retirement allowance, the Board of Trustees shall adopt  
32 straight life annuity factors on the basis of mortality tables, such other tables as may be  
33 necessary and the interest assumption rate recommended by the actuary based upon actual  
34 experience including an assumed annual post-retirement allowance increase of four percent  
35 (4%). The Board of Trustees shall modify such factors every five years, as shall be deemed  
36 necessary, based upon the five year experience study as required by ~~G.S. 128-29(o)~~.  
37 G.S. 128-28(o). Provided, however, a member who transfers his eligible accumulated  
38 contributions from the Supplemental Retirement Income Plan of North Carolina shall be taxed  
39 for North Carolina State Income tax purposes on the special retirement allowance the same as if  
40 that special retirement allowance had been paid directly by the Supplemental Retirement  
41 Income Plan of North Carolina. The Local Governmental Employees' Retirement System shall  
42 be responsible to determine the taxable amount, if any, and report accordingly."

43 **SECTION 5.** G.S. 128-27 is amended by adding a new subsection to read:

44 "(m2) Special Retirement Allowance. – At any time coincident with or following  
45 retirement, a member may make a one-time election to transfer any portion of the member's  
46 eligible accumulated contributions, not including any Roth after-tax contributions and the  
47 earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the  
48 North Carolina Public Employee Deferred Compensation Plan to this Retirement System and  
49 receive, in addition to the member's basic service, early or disability retirement allowance, a  
50 special retirement allowance which shall be based upon the member's transferred balance.  
51 Notwithstanding anything to the contrary, a member may not transfer such amounts as will

1 cause the member's retirement allowance under the System to exceed the amount allowable  
2 under G.S. 128-38.2(b). The Board of Trustees may establish a minimum amount that must be  
3 transferred if a transfer is elected. The member may elect a special retirement allowance with  
4 no postretirement increases or a special retirement allowance with annual postretirement  
5 increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement  
6 increases on any other allowance will not apply to the special retirement allowance. The Board  
7 of Trustees shall provide educational materials to the members who apply for the transfer  
8 authorized by this section. Those materials shall describe the special retirement allowance and  
9 shall explain (i) the relationship between the transferred balance and the monthly benefit; and  
10 (ii) how the member's heirs may be impacted by the election to make this transfer and any costs  
11 and fees involved.

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

26 The special retirement allowance shall continue for the life of the member. The Board of  
27 Trustees shall establish two options that guarantee payments for a period that may exceed the  
28 life of the member and the member's designated beneficiary. In the first option, the member  
29 may elect to receive the special retirement allowance for a guaranteed number of months to be  
30 specified by the Board of Trustees. Under this option, if the member dies before the expiration  
31 of the specified number of months, the special retirement allowance will continue to be paid to  
32 the member's designated beneficiary for the life of the beneficiary. If the member's designated  
33 beneficiary dies before the expiration of the specified number of months, any remaining  
34 payments will be paid to the member's estate. In the second option, the member may elect to  
35 receive the special retirement allowance until the sum of monthly payments equals the total of  
36 the transferred balance. Under this second option, if the member dies before receiving the total  
37 transferred balance, the special retirement allowance will continue to be paid to the member's  
38 designated beneficiary for the life of the beneficiary. If the member's designated beneficiary  
39 dies before receiving the total transferred balance, any remaining amount will be paid to the  
40 member's estate.

41 The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess  
42 a one-time flat administrative fee not to exceed the actual cost of the administrative expenses  
43 relating to these transfers.

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

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

51 **SECTION 6. G.S. 128-27(g1) reads as rewritten:**

1       "(g1) In the event of the death of a retired member while in receipt of a retirement  
2 allowance under the provisions of this Article, there shall be paid to such person or persons as  
3 the retiree shall have nominated by electronic submission in a form approved by the Board of  
4 Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if  
5 such person or persons are living at the time of the retiree's death, otherwise to the retiree's  
6 legal representatives, a death benefit equal to the excess, if any, of the accumulated  
7 contributions of the retiree at the date of retirement over the total of the retirement allowances  
8 paid prior to the death of the retiree. ~~For purposes of this paragraph, the term "accumulated~~  
9 ~~contributions" includes amounts of employee voluntary contributions that were transferred~~  
10 ~~from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at~~  
11 ~~retirement by eligible law enforcement officers.~~In the event that a retiree is receiving a Special  
12 Retirement Allowance under subsection (m1) of this section, there shall be paid to such person  
13 or persons as the retiree shall have nominated by electronic submission in a form approved by  
14 the Board of Trustees or by written designation duly acknowledged and filed with the Board of  
15 Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the  
16 retiree's legal representatives, an additional death benefit equal to the excess, if any, of the  
17 employee voluntary contributions that were transferred from the Supplemental Retirement  
18 Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation  
19 Plan to this Retirement System over the total of the Special Retirement Allowances paid prior  
20 to the death of the retiree. For purposes of this paragraph, the term "accumulated contributions"  
21 excludes any amount transferred under subsection (m2) of this section.

22       In the event that a retirement allowance becomes payable to the designated survivor of a  
23 retired member under the provisions above and such retirement allowance to the survivor shall  
24 terminate upon the death of the survivor before the total of the retirement allowances paid to  
25 the retiree and the designated survivor combined equals the amount of the accumulated  
26 contributions of the retiree at the date of retirement, the excess, if any, of such accumulated  
27 contributions over the total of the retirement allowances paid to the retiree and the survivor  
28 combined shall be paid in a lump sum to such person or persons as the retiree shall have  
29 nominated by electronic submission in a form approved by the Board of Trustees or by written  
30 designation duly acknowledged and filed with the Board of Trustees, if such person or persons  
31 are living at the time such payment falls due, otherwise to the retiree's legal representative. For  
32 purposes of this paragraph, the term "accumulated contributions" includes amounts of  
33 employee voluntary contributions that were transferred from the Supplemental Retirement  
34 Income Plan of North Carolina to this Retirement System at retirement by eligible law  
35 enforcement officers.

36       In the event that a retirement allowance becomes payable to the principal beneficiary  
37 designated to receive a return of accumulated contributions pursuant to subsection (m) of this  
38 section and that beneficiary dies before the total of the retirement allowances paid equals the  
39 amount of the accumulated contributions of the member at the date of the member's death, the  
40 excess of those accumulated contributions over the total of the retirement allowances paid to  
41 the beneficiary shall be paid in a lump sum to the person or persons the member has designated  
42 as the contingent beneficiary for return of accumulated contributions, if the person or persons  
43 are living at the time the payment falls due, otherwise to the principal beneficiary's legal  
44 representative. For purposes of this paragraph, the term "accumulated contributions" includes  
45 amounts of employee voluntary contributions that were transferred from the Supplemental  
46 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible  
47 law enforcement officers.

48       In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be  
49 paid to such person or persons as the retiree shall have nominated by electronic submission in a  
50 form approved by the Board of Trustees or by written designation duly acknowledged and filed  
51 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,

1 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if  
2 any, of the cost of the creditable service purchased less the administrative fee, if any, over the  
3 total of the increase in the retirement allowance attributable to the additional creditable service,  
4 paid from the month following the month in which payment was received to the death of the  
5 retiree.

6 In the event that a retirement allowance becomes payable to the designated survivor of a  
7 retired member under the provisions above, and such retirement allowance to the survivor shall  
8 terminate upon the death of the survivor before the total of the increase in the retirement  
9 allowance attributable to the additional creditable service paid to the retiree and the designated  
10 survivor combined equals the cost of the creditable service purchased less the administrative  
11 fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall  
12 have nominated by electronic submission in a form approved by the Board of Trustees or by  
13 written designation duly acknowledged and filed with the Board of Trustees, if such person or  
14 persons are living at the time such payment falls due, otherwise to the retiree's legal  
15 representative.

16 In the event that a retiree dies without having designated a beneficiary to receive a benefit  
17 under the provisions of this subsection, any such benefit that becomes payable shall be paid to  
18 the member's estate."

19 **SECTION 7.** This act becomes effective January 1, 2011. Any beneficiary who  
20 retired prior to January 1, 2011, will not be allowed to make the one-time election until July 1,  
21 2011. Any administrative fees accessed by the Boards of Trustees may be used to hire  
22 additional personnel to administer this act.



# NORTH CAROLINA GENERAL ASSEMBLY

## Legislative Services Office

George R. Hall, Legislative Services Officer

Fiscal Research Division  
101 N. Salisbury Street, Suite 619  
Raleigh, NC 27603-5925  
Tel. 919-733-4910 Fax 919-715-3589

Marilyn Chism  
Director

June 16, 2010

### MEMORANDUM

TO: Representative Angela Bryant

FROM: Stanley Moore *SM*  
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 2066

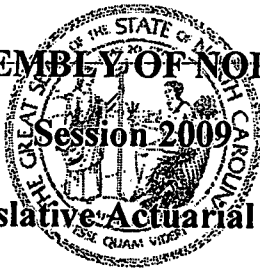
Re: Special Retirement Allowances

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Representative Russell Tucker  
House Principal Clerk

#### Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants
- (3) Actuarial Note, Hartman & Associates



Legislative Actuarial Note

RETIREMENT

**BILL NUMBER:** House Bill 2066 (First Edition)

**SHORT TITLE:** Special Retirement Allowances.

**SPONSOR(S):** Representative Bryant

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**FUNDS AFFECTED:** Any State or local employee who has funds in the Supplemental Retirement Income Plan and the Public Employee Deferred Compensation Plan.

**SYSTEM OR PROGRAM AFFECTED:** Teachers' & State Employees' Retirement System, Local Governmental Employees' Retirement System, the Supplemental Retirement Income Plan and the Public Employee Deferred Compensation Plan.

**EFFECTIVE DATE:** July 1, 2010

**BILL SUMMARY:**

Sections 1 and 4. Presently all State and local law enforcement officers are eligible to transfer the entire balance of the Supplemental Retirement Income Plan {401(k) Plan} to either the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System and receive a life annuity based on their age. This bill allows for the transfer of any portion of the fund balance rather than the entire fund balance. Any State or local officer with five or more years of service as of June 30, 2010 will continue to have this benefit.

Sections 2,3, 5 and 6: Creates a Special Retirement Allowance. This will allow all members of the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System to transfer any portion of their fund balances in either the Supplemental Retirement Income Plan or the Public Employee Deferred Compensation Plan on a onetime election at any time at or after retirement and receive a special retirement allowance which will be based on the amount of funds and age of the member.

The Board of Trustees may establish a minimum amount that must be transferred. The Board shall adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality and other tables as may be necessary based upon actual experience. A single set of mortality and other tables will be used for all members based on the age of the member and the election of post-retirement allowance. The Board shall modify the mortality and such other tables every five years based upon the five-year experience study as required. A member shall be taxed for North Carolina State Income Tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the Supplemental Retirement Income Plan of North Carolina.

**ESTIMATED IMPACT ON STATE:** Both, Buck Consultants, the Retirement Systems' actuary, and Hartman & Associates, the General Assembly's actuary, agree that the changes would not be expected to produce a significant financial impact to the retirement systems.

**ASSUMPTIONS AND METHODOLOGY:**

**Teachers' & State Employees' Retirement System**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2008 actuarial valuation of the fund. The data included 325,618 active members with an annual payroll of \$13.3 billion, 151,353 retired members in receipt of annual pensions totaling \$3.1 billion and actuarial value of assets equal to \$55.1 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) average salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables (tables are not adjusted for male teachers, set forward one year for female teachers, set forward two years for general employees and law enforcement officers and set forward two years for the beneficiaries of deceased member), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal cost method and a frozen liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**Local Governmental Employees' Retirement System**

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2008 actuarial valuation of the fund. The data included 123,524 active members with an annual payroll of \$4.97 billion, 44,311 retired members in receipt of annual pensions totaling \$744.7 million and actuarial value of assets equal to \$17.1 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1994 Group Annuity Mortality Tables, (tables are forward three years for males, set forward two years for females and set forward two years for the beneficiaries of deceased members and special mortality tables are used for period after disability retirement), and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Gains and losses are reflected in the normal rate. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** Buck Consultants  
Hartman & Associates, LLC

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910. The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

**SOURCES OF DATA:**

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION: (919) 733-4910**

**PREPARED BY: Stanley Moore**

**APPROVED BY: Marilyn Chism, Director**  
**Fiscal Research Division**

**DATE: June 16, 2010**



**Signed Copy Located in the NCGA Principal Clerk's Offices**



June 8, 2010

Mr. David Vanderweide  
Policy Director  
State of North Carolina  
Department of State Treasurer  
Retirement Systems Division  
325 North Salisbury Street  
Raleigh, NC 27603-1385

**Re: House Bill 2066**

Dear Mr. Vanderweide:

We have received your request of May 27 regarding House Bill 2066, which affects the provisions of the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS).

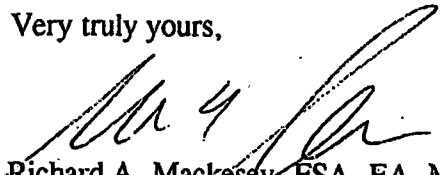
The proposed legislation amends G.S. 135-5(m1), G.S. 135-5(g1), G.S. 128-27(m1) and G.S. 128-27(g1); adds G.S. 135-5(m2) and G.S. 128-27(m2); and appears to allow all members to transfer balances from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employer Deferred Compensation Plan to the retirement systems and convert them to life annuities. The annuity factors would be adopted by the Board of Trustees based on U.S. Treasury Bond yields and the mortality experience of TSERS and LGERS. This legislation would become effective July 1, 2010.

The conversion of the transferred balances to monthly annuities will be based on actuarial equivalent factors using the mortality assumptions used for the valuations of TSERS and LGERS and interest rates that will be based on U.S. Treasury Bond yields. Based on long-term expectations of yields on U.S. Treasury Bonds and on long-term expectations of returns on the assets for TSERS and LGERS, it is more likely than not that the return on the assets for TSERS and LGERS will be larger than yields on U.S. Treasury Bonds, thus providing an excess return on the transferred balances. These excess returns should be sufficient to compensate TSERS and LGERS for the additional volatility of their investment strategies over investing wholly in U.S. Treasury Bonds. Therefore, the impact on TSERS and LGERS for this proposed legislation should be negligible.

Mr. David Vanderweide  
June 8, 2010  
Page 2

If you have any questions or need additional assistance, please let us know.

Very truly yours,



Richard A. Mackesey, FSA, EA, MAAA  
Principal, Consulting Actuary

RAM:km  
WCICOR100608RM2.DOC

**buckconsultants**

# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038  
Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

June 8, 2010

Mr. Stanley Moore  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: House Bill 2066: An Act to Authorize Creation of Special Retirement Allowances For Retirees of the TSERS and LGERS

Dear Mr. Moore:

This bill amends G.S. 135-5 and G.S. 128-27 to modify the provisions for special retirement allowances from funds transferred to the Teachers' and State Employees' Retirement System (TSERS) or the Local Governmental Employees' Retirement System (LGERS). This act is effective July 1, 2010.

Currently, a law enforcement officer in either system may transfer his accumulated funds from the Supplemental Retirement Income Plan of North Carolina to the TSERS or LGERS upon retirement. The member then receives a special retirement allowance, in addition to the basic retirement allowance, based on the amount of funds transferred, annuity factors determined by the Board of Trustees, and an assumed annual increase in the allowance of 4%. This bill continues this option for members vested as of June 30, 2010 and allows transfer of any portion of the funds instead of only a complete transfer.

This bill also provides a second option for special retirement allowances. This option would allow a member to make a onetime election at or following retirement to transfer any portion of accumulated funds from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to the TSERS or LGERS. The member would then receive a special retirement allowance, in addition to the basic retirement allowance, based on annuity factors using yields on U.S. Treasury Bonds and mortality rates based on actual experience. The member could elect to receive either an allowance with no postretirement increases or with annual increases equal to the increase in the U.S. Consumer Price Index. Postretirement increases on any other allowances would not apply to the special retirement allowance. The Board of Trustees would modify the mortality and other tables every five years.

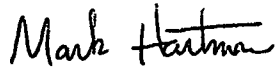
In my analysis of this bill, I have assumed that the determination of factors for special retirement allowances in the TSERS and LGERS will be consistent with the actuarial assumptions used for plan funding. These include mortality rates, investment returns, and CPI rates. Based on this methodology, the changes from this bill are not expected to have a material financial impact in the TSERS or LGERS.

Mr. Stanley Moore  
June 8, 2010

Page 2

If you have any questions, let me know.

Sincerely,

A handwritten signature in black ink that reads "Mark Hartman". The signature is written in a cursive style with a horizontal line extending from the end.

Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

*Rep Tucker*

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

☒ Committee Substitute for

**HB 2066**

A BILL TO BE ENTITLED AN ACT TO AUTHORIZE THE CREATION OF SPECIAL RETIREMENT ALLOWANCES FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

☒ With a favorable report as to the Committee Substitute Bill #2, unfavorable as to Committee Substitute Bill #1, and recommendation that Committee Substitute Bill #2 be re-referred to the Committee on FINANCE.

**(FOR JOURNAL USE ONLY)**

\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

2

HOUSE BILL 2055\*  
Committee Substitute Favorable 6/21/10

Short Title: State Health Plan/Local Govt Retiree Contrib.

(Local)

Sponsors:

Referred to:

May 27, 2010

- 1 A BILL TO BE ENTITLED  
2 AN ACT TO PROVIDE THAT A LOCAL GOVERNMENT THAT HAS BEEN  
3 SUBMITTING PREMIUM PAYMENTS FOR ITS EMPLOYEES TO THE STATE  
4 HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES IS NOT LIABLE FOR  
5 CONTRIBUTIONS OWED TO THE RETIREE HEALTH BENEFIT FUND FOR A  
6 SPECIFIED PERIOD.  
7 The General Assembly of North Carolina enacts:  
8 SECTION 1. This act applies to Rutherford County only.  
9 SECTION 2. Notwithstanding Section 31.26(b) of S.L. 2004-124, a local  
10 government that was approved to participate in the Teachers' and State Employees'  
11 Comprehensive Major Medical Plan (Plan) (predecessor plan to the State Health Plan for  
12 Teachers and State Employees) effective July 1, 2004, and that has been making contributions  
13 to the Plan for its active and retired employees based on active employee contribution rates, is  
14 not liable for the amount of contributions owed to the Retiree Health Benefit Fund under  
15 G.S. 135-7(f) that represents the difference between the contribution rate owed under S.L.  
16 2004-124 and the amount actually paid to the Plan for local government retiree coverage.  
17 SECTION 3. This act becomes effective July 1, 2010, and applies only to  
18 retirement contributions owing for the period July 1, 2005, through June 30, 2008.



\* H 2 0 5 5 - V - 2 \*

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

D

HOUSE BILL 2055\*  
Committee Substitute Favorable 6/21/10  
PROPOSED COMMITTEE SUBSTITUTE H2055-CSRO-120 [v.2]

6/29/2010 8:18:49 PM

Short Title: State Health Plan/Local Govt Retiree Contrib. (Local)

Sponsors:

Referred to:

May 27, 2010

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT A LOCAL GOVERNMENT THAT HAS BEEN  
SUBMITTING PREMIUM PAYMENTS FOR ITS EMPLOYEES TO THE STATE  
HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES IS NOT LIABLE FOR  
CONTRIBUTIONS OWED TO THE RETIREE HEALTH BENEFIT FUND FOR A  
SPECIFIED PERIOD.

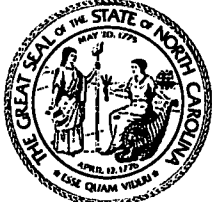
The General Assembly of North Carolina enacts:

**SECTION 1.** This act applies to Bladen, Rutherford, and Washington Counties  
only.

**SECTION 2.** Notwithstanding Section 31.26(b) of S.L. 2004-124, a local  
government that was approved to participate in the Teachers' and State Employees'  
Comprehensive Major Medical Plan (Plan) (predecessor plan to the State Health Plan for  
Teachers and State Employees) effective July 1, 2004, and that has been making contributions  
to the Plan for its active and retired employees based on active employee contribution rates, is  
not liable for the amount of contributions owed to the Retiree Health Benefit Fund under  
G.S. 135-7(f) that represents the difference between the contribution rate owed under S.L.  
2004-124 and the amount actually paid to the Plan for local government retiree coverage.

**SECTION 3.** This act becomes effective July 1, 2010, and applies only to  
retirement contributions owing for the period July 1, 2005, through June 30, 2008.





## HOUSE BILL 2055: State Health Plan/Local Govt Retiree Contrib

2009-2010 General Assembly

**Committee:** House Pensions and Retirement  
**Introduced by:** Rep. England  
**Analysis of:** PCS to Second Edition  
H2055-CSRO-120

**Date:** June 29, 2010  
**Prepared by:** Karen Cochrane-Brown  
Committee Counsel

**SUMMARY:** *House Bill 2055 provides that a local government that elects to participate and make contributions to the State Health Plan for its active and retired employees is not liable for the difference between required contributions to the Retiree Health Benefit Fund and the amount actually paid for retiree coverage. House Bill 2055 applies to Rutherford County only.*

*The Proposed Committee Substitute adds Bladen and Washington counties.*

[As introduced, this bill was identical to S1423, as introduced by Sen. Clary, which is currently in Senate Pensions & Retirement & Aging.]

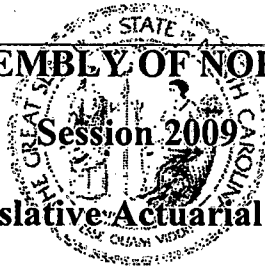
**BACKGROUND:** S.L. 2004-124, Section 31.26(b) requires a local government electing to cover its retired employees in the State Health Plan to make contributions on account of its retired employees, including contributions to the Retiree Health Benefit Fund. The Fund, established under G.S. 135-7, consists of accumulated contributions from employers to provide health benefits to retired and disabled employees. The Board of Trustees of the Teachers' and State Employees' Retirement System is trustee of the Fund.

**EFFECTIVE DATE:** House Bill 2055 becomes effective July 1, 2010 and applies only to contributions owing for the period July 1, 2005 through June 30, 2008.

H2055-SMRO-186(CSRO-120) v1



# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

### HEALTH BENEFITS

**BILL NUMBER:** Proposed Committee Substitute to HB 2055 (H2055-CSME-18 [v.3])

**SHORT TITLE:** State Health Plan/Local Govt Retiree Contrib.

**SPONSOR(S):**

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**SYSTEM OR PROGRAM AFFECTED:** Retiree Health Benefit Fund, a trust fund authorized under G.S. 135-7(f). The Retiree Health Benefit fund receives payroll contributions from employing units and uses those contributions, plus investment earnings, to pay for non-contributory health benefit coverage of eligible retired employees.

**BILL SUMMARY:** The Proposed Committee Substitute to House Bill 2055 forgives a liability owed by the counties of Bladen, Rutherford and Washington, whom are respectively local governments authorized to be employing units under the State Health Plan, to the State's Retiree Health Benefit Fund. The amount of the liability to be forgiven is equal to the net of the total payroll contributions owed by the counties to the Fund for the period July 1, 2005 through June 30, 2008 minus the aggregate premium contributions paid by the counties to the State Health Plan for its covered retirees during the same period of time.

**EFFECTIVE DATE:** July 1, 2010

#### ESTIMATED IMPACT ON STATE:

Aon Consulting, consulting actuary for the State Health Plan for Teachers and State Employees, and Hartman and Associates, consulting actuary for the General Assembly's Fiscal Research Division, each estimate the bill will have no impact on the State Health Plan, but would result in the State's Retiree Health Benefit Fund not collecting an estimated \$3.64 million in net payroll contributions and lost investment earnings.

**ASSUMPTIONS AND METHODOLOGY:** The actuarial analyses used by each respective consulting actuary are on file with the Fiscal Research Division. Copies of each respective consulting actuary's analysis, including assumptions, are also attached to the original copy of this Legislative Actuarial note.

Each consulting actuary, based on data provided by the Retirement Systems Division of the Department of State Treasurer, assumed the amount of total payroll contributions owed by Bladen (\$2,319,625), Rutherford (\$1,501,963), and Washington (\$484,680) counties for the period equaled \$4,306,268. Payroll contributions deposited to the Retiree Health Benefit Fund are invested in the State's Short-term Investment Fund. Therefore, each actuary then estimated the lost investment earnings on the funds owed by Rutherford County from July 1, 2005 through June 30, 2009 based on actual earnings in the Short-term Investment Fund, and then a projected return through June 30, 2010 based on actual returns under the Fund through March 30, 2010. The amount of lost investment earnings is projected to be \$417,516 by Hartman and Associates, and \$432,487 by Aon Consulting. The difference is due to a slightly different projected investment return used by each respective actuary for the period July 1, 2009 through June 30, 2010.

As an offset to the payroll contributions and interest owed, each consulting actuary credited the total amount paid by Bladen (\$431,667), Rutherford (\$539,363) and Washington (\$120,754) in premium contributions to the State Health Plan during the affected period by \$1,091,784 as reported by the Plan.

**Retiree Health Benefit Fund:** Through May 31, 2010, the Retiree Health Benefit Fund had an ending cash balance of \$556.7 million. Year-to-date average monthly payroll contributions have equaled \$56.1 million with average monthly investment earnings of \$708,955. Total monthly contributions plus investment earnings have averaged \$56.8 million through May 31, 2010. Average monthly disbursements from the Fund for the same period were \$47.7 million with average monthly administrative charges of \$24,055. As a result, through May 31, 2010, the Fund has averaged a net monthly gain of \$9.1 million.

**Other Post Employment Benefits:** The amount of annual payroll contributions to the Fund is projected to be \$673.2 million based on actual results through May 31, 2010 and a payroll contribution rate of 4.5% of payroll. According to the most recent Other Post Employment Benefit actuarial valuation of retiree health care liabilities for the State as of December 2008, the State's Unfunded Actuarial Accrued Liability for retiree healthcare obligations is projected to be \$27.9 billion over a 30-year period. The Annual Required Contribution for the State to fund this obligation on an actuarial basis over a 30-year period is projected to be \$2.7 billion, or 17.5% of payroll based on the most recent actuarial valuation prepared as of December 31, 2008.

#### **Summary Information and Data about the Plan**

The Plan administers health benefit coverage for active employees from employing units of State agencies and departments, universities, local public schools, and local community colleges. Eligible retired employees of authorized employing units may also access health benefit coverage under the Plan. Eligible dependents of active and retired employees are authorized to participate in the Plan provided they meet certain requirements. Employees and retired employees of selected local governments may also participate in the Plan under certain conditions. Members of fire, rescue squads, and the National Guard may also obtain coverage under the Plan provided they meet certain eligibility criteria.

As of July 1, 2009, the State finances the Plan on a self-funded basis and administers benefit coverage under a Preferred Provider Option (PPO) arrangement. The Plan's receipts are derived through premium contributions, investment earnings and other receipts. Premiums for health benefit coverage are paid by (1) employing agencies for active employees, (2) the Retiree Health Benefit Fund for retired employees, and (3) employees and retirees who elect dependent coverage. Total *revised* requirements for the Plan are estimated to be \$2.55 billion for FY 2009-10 and \$2.74 billion for FY 2010-11. The Plan's PPO benefit design includes two alternative benefit levels listed below:

- 1) The "Basic" 70/30 plan that offers higher out-of pocket requirements in return for lower fully contributory dependent premiums; and
- 2) The "Standard" 80/20 plan.

The Basic and Standard plans offer coverage to employees and retired employees on a noncontributory basis. Coverage for dependents under both plans is offered on a fully contributory basis.

#### **Financial Condition**

**Revised Financial Projection 2009-11 Biennium** – The following summarizes a revised financial projection by conducted by the Plan's consulting actuary, Aon Consulting, for the 2009-11 biennium. The

information is provided by fiscal year based on year-to-date financial experience (through March 2010) and other updated factors.

For the fiscal year beginning July 1, 2009, the Plan began its operations with a beginning cash balance of \$189.9 million. Receipts for the year are projected to be \$2.41 billion from net premium collections, \$74.4 million from Medicare Part D subsidies, and \$3.4 million from investment earnings for a total of approximately \$2.49 billion in receipt income for the year. Projected disbursements from the Plan are expected to be \$2.39 billion in net claim-payment expenses and \$164.1 million in administration and claims-processing expenses for projected total expenses of nearly \$2.55 billion for FY 2009-10. The Plan's net operating loss is projected to be approximately \$66.3 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2009.

For the fiscal year beginning July 1, 2010, the Plan is projected to begin its operations with a beginning cash balance of \$123.6 million. Receipts for the year are projected to be \$2.68 billion from net premium collections, \$56.1 million from Medicare Part D subsidies, and \$2.7 million from investment earnings for a total of approximately \$2.73 billion in receipt income for the year. Projected disbursements from the Plan are expected to be \$2.55 billion in net claim-payment expenses and \$191.7 million in administration and claims-processing expenses for projected total expenses of nearly \$2.74 billion for FY 2010-11. The Plan's net operating loss is projected to be approximately \$7.1 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2010.

Based on the revised financial projection (May 2010), the Plan's estimated ending cash balance on June 30, 2011 is projected to be \$116.5 million. This amount is approximately \$75.7 million less than the originally projected (April 2009) ending cash balance of \$192.2 million.

**Original Financial Projection 2009-11 Biennium (April 2009)** – Session Law 2009-16 (Senate Bill 287) appropriated funds from various sources, authorized annual premium rate increases, made various benefit and provider related changes to achieve financial savings, and directed other various changes to the Plan. The enacted law also appropriated the sum of \$250 million from the Savings Reserve Account ("Rainy Day Fund") of the General Fund for the 2008-09 fiscal year. The following summarizes the original financial projection by fiscal year for the 2009-11 biennium and assumes the changes enacted in Session Law 2009-16 (Senate Bill 287).

For the fiscal year beginning July 1, 2009, the Plan was projected to begin its operations with a beginning cash balance of \$146.9 million. Receipts for the year were projected to be \$2.4 billion from net premium collections, \$56.3 million from Medicare Part D subsidies, and \$8.0 million from investment earnings for a total of approximately \$2.5 billion in receipt income for the year. Projected disbursements from the Plan were expected to be \$2.3 billion in net claim-payment expenses and \$185.6 million in administration and claims-processing expenses for projected total expenses of nearly \$2.5 billion for FY 2009-10. The Plan's net operating income was projected to be approximately \$14.8 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2009.

For the fiscal year beginning July 1, 2010, the Plan was projected to begin its operations with a beginning cash balance of \$161.6 million. Receipts for the year were projected to be \$2.7 billion from net premium collections, \$50.4 million from Medicare Part D subsidies, and \$8.8 million from investment earnings for a total of approximately \$2.7 billion in receipt income for the year. Projected disbursements from the Plan were expected to be \$2.5 billion in net claim-payment expenses and \$191.7 million in administration and claims-processing expenses for projected total expenses of nearly \$2.7 billion for FY 2010-11. The Plan's net operating income was projected to be approximately \$30.6 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2010.

### Other Information

Historically, the Plan has applied a premium increase in October of the first fiscal year of a biennium. However, the annual premium increases authorized in Session Law 2009-16 (Senate Bill 287) changes that methodology to an annual increase at the beginning of each fiscal year of the 2009-11 biennium.

Additional assumptions include Medicare benefit "carve-outs," cost containment strategies including prior approval for certain medical services, utilization of the "Blue Options" provider network, case and disease management for selected medical conditions, mental health case management, coordination of benefits with other payers, a prescription drug benefit manager with manufacturer rebates from formularies, and fraud detection, and other authorized actions by the Executive Administrator and Board of Trustees to manage the Plan to maintain and improve the Plan's operation and financial condition where possible. Claim cost trends are expected to increase at a rate of 9% annually according to the Plan's consulting actuary. Investment earnings are based upon a 4.5% return on available cash balances.

### Enrollment as of December 31, 2009

				Percent of Total
I. No. of Participants	Basic	Standard	Total	Total
Actives				
Employees	13,830	307,541	321,371	48.6%
Dependents	24,593	135,563	160,156	24.2%
Sub-total	38,423	443,104	481,527	72.8%
Retired				
Employees	2,074	151,395	153,469	23.2%
Dependents	1,313	18,075	19,388	2.9%
Sub-total	3,387	169,470	172,857	26.1%
Former Employees with Continuation Coverage				
Employees	121	3,120	3,241	0.5%
Dependents	87	749	836	0.1%
Sub-total	208	3,869	4,077	0.6%
Firefighters, Rescue Squad & National Guard				
Employees	-	5	5	0.0%
Dependents	-	3	3	0.0%
Sub-total	-	8	8	0.0%
Local Governments				
Employees	91	1,829	1,920	0.3%
Dependents	174	777	951	0.1%
Sub-total	265	2,606	2,871	0.4%
Total				
Employees	16,116	463,885	480,001	72.6%
Dependents	26,167	155,164	181,331	27.4%
Grand Total	42,283	619,049	661,332	100%
Percent of Total	6.4%	93.6%	100.0%	

<b>II. Enrollment by Contract</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Employee Only	3,252	378,539	381,791
Employee Child(ren)	6,026	43,820	49,846
Employee Spouse	2,550	21,785	24,335
Employee Family	4,288	19,741	24,029
<b>Total</b>	<b>16,116</b>	<b>463,885</b>	<b>480,001</b>

<b>Percent Enrollment by Contract</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Employee Only	20.2%	81.6%	79.5%
Employee Child(ren)	37.4%	9.4%	10.4%
Employee Spouse	15.8%	4.7%	5.1%
Employee Family	26.6%	4.3%	5.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>III. Enrollment by Sex</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Female	22,479	390,209	412,688
Male	19,804	228,840	248,644
<b>Total</b>	<b>42,283</b>	<b>619,049</b>	<b>661,332</b>

<b>Percent Enrollment by Sex</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Female	53.2%	63.0%	62.4%
Male	46.8%	37.0%	37.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>IV. Enrollment by Age</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
19 & Under	17,315	95,431	112,746
20 to 29	3,311	57,142	60,453
30 to 44	9,555	120,292	129,847
45 to 54	6,455	108,447	114,902
55 to 64	4,090	128,933	133,023
65 & Over	1,557	108,804	110,361
<b>Total</b>	<b>42,283</b>	<b>619,049</b>	<b>661,332</b>

<b>Percent Enrollment by Age</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
19 & Under	41.0%	15.4%	17.0%
20 to 29	7.8%	9.2%	9.1%
30 to 44	22.6%	19.4%	19.6%
45 to 54	15.3%	17.5%	17.4%
55 to 64	9.7%	20.8%	20.1%
65 & Over	3.7%	17.6%	16.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>V. Retiree Enrollment by Category</b>	<b>Employee</b>	<b>Dependents</b>	<b>Total</b>
Non-Medicare Eligible	51,747	11,879	63,626
Medicare Eligible	101,722	7,509	109,231
<b>Total</b>	<b>153,469</b>	<b>19,388</b>	<b>172,857</b>

<b>VI. Enrollment By Major Employer Groups</b>	<b>Employees</b>	<b>Dependents</b>	<b>Total</b>
State Agencies	75,367	34,645	110,012
UNC System	50,106	29,726	79,832
Local Public Schools	181,270	88,258	269,528
Local Community Colleges	14,623	7,524	22,147
Other			
Local Governments	1,920	951	2,871
COBRA	3,241	836	4,077
Nat. Guard, Fire & Rescue	5	3	8
Sub-total	5,166	1,790	6,956
Retirement System	153,469	19,388	172,857
<b>Total</b>	<b>480,001</b>	<b>181,331</b>	<b>661,332</b>

<b>Percent Enrollment by Major Employer Groups</b>	<b>Employees</b>	<b>Dependents</b>	<b>Total</b>
State Agencies	15.7%	19.1%	16.6%
UNC System	10.4%	16.4%	12.1%
Local Public Schools	37.8%	48.7%	40.8%
Local Community Colleges	3.0%	4.1%	3.3%
Other			
Local Governments	0.4%	0.5%	0.4%
COBRA	0.7%	0.5%	0.6%
Nat. Guard, Fire & Rescue	0.0%	0.0%	0.0%
Sub-total	1.1%	1.0%	1.1%
Retirement System	32.0%	10.7%	26.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**SOURCES OF DATA:**

-Actuarial Note, Hartman & Associates, "House Bill 2055 Proposed Committee Substitute H2055-CSME-18 [v.3]; An Act to Provide That a Local Government That Has Been Submitting Premium Payments For Its Employees to the State Health Plan Is Not Liable For Contributions Owed to the Retiree Health Benefit Fund for a Specified Period"; June 25, 2010, an original of which is on file in the General Assembly's Fiscal Research Division.

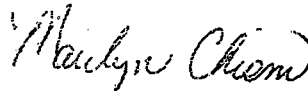
-Actuarial Note, Aon Consulting, "House Bill 2055 Proposed Committee Substitute H2055-CSME-18 [v.3]", June 28, 2010, an original of which is on file with the State Health Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

**FISCAL RESEARCH DIVISION: (919) 733-4910**

**PREPARED BY:** Mark Trogon



**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division



**DATE:** June 29, 2010

**NORTH CAROLINA STATE HEALTH PLAN  
FOR TEACHERS AND STATE EMPLOYEES**

**HOUSE BILL 2055  
PROPOSED COMMITTEE SUBSTITUTE H2055-CSME-  
18 [V.3]**

**STATE HEALTH PLAN / LOCAL GOVERNMENT  
RETIREE CONTRIBUTIONS**

**Prepared by:**

**Aon Consulting  
One Piedmont Center  
3565 Piedmont Road, N.E.  
Atlanta, Georgia 30305**

**June 2010**



## ACTUARIAL STATEMENT

The North Carolina State Health Plan for Teachers and State Employees has requested that Aon Consulting prepare an Actuarial Note in response to House Bill 2055 Proposed Committee Substitute H2055-CSME-18 [v.3] entitled "An Act To Provide That A Local Government That Has Been Submitting Premium Payments For Its Employees To The State Health Plan For Teachers And State Employees Is Not Liable For Contributions Owed To The State Retirement System For A Specified Period."

The Actuarial Note was prepared according to generally accepted actuarial principles and practices, in compliance with General Statute 120-114. As required by statute, the Note includes an explanatory statement of the proposed change(s) and, to the extent possible, an estimate of the financial and actuarial effect of the proposed change(s) on the Plan. The Actuarial Note makes no comment or opinion with regard to the merits of the measure for which the Note is prepared; however, any identified technical or mechanical defects have been noted.

We have reviewed the input and results of our analysis for reasonableness, and relied upon the data and information provided by the Plan and the Retirement System.



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Kirsten R. Schatten, A.S.A., M.A.A.A.  
Assistant Vice President

June 28, 2010

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Date

## STATE HEALTH PLAN / LOCAL GOVERNMENT RETIREE CONTRIBUTIONS

### PLAN CHANGES

The proposed legislation discharges the liability for contributions owed to the Retiree Health Benefit Fund for three local governments. This proposed legislation has no impact on the State Health Plan, but provides for a loss to the Retiree Health Benefit Fund. The full text of the bill is attached to this actuarial note.

### PROJECTED COSTS

Change to Retiree Health Benefit Fund	Liability As of July 1, 2010
Discharge liability for contributions owed	\$3,646,961

### PRICING APPROACH AND COMMENTS

The following information was compiled and utilized in determining the projected costs associated with the component addressed in this actuarial note:

- The proposed legislation has no impact on the State Health Plan.
- Aon has quantified the loss to the Retiree Health Benefit Fund, owned by the Retirement System, based on the proposed legislation.
- Payroll contributions owed for the time period July 2005 through June 2008 by month were provided to Aon by the Retirement Systems Division.
- Premiums Paid to State Health Plan for the time period July 2005 through June 2008 by month were provided to Aon by the State Health Plan.
- Investment returns that would have accrued on payroll contributions owed were provided in The State Treasurer's Annual Report for the Treasurer's Short-Term Investment Fund for fiscal years 2006 through 2009.
- Year-to-date investment returns for the Treasurer's Short-Term Investment Fund for fiscal year 2010 were provided in the Treasurer's quarterly report for the period ended March 31, 2010. Aon annualized this return to estimate a fiscal year return as of July 1, 2010.
- Aon calculated the net difference between contributions owed and premiums paid by month and accumulated with interest to July 1, 2010.
- We assumed all contributions owed and premiums paid occurred at the beginning of each month.
- The resulting liability for the period July 1, 2005 through June 30, 2008 as of July 1, 2010 is \$2,145,263 for Bladen County, \$1,089,565 for Rutherford County and \$412,133 for Washington County for a total of \$3,646,961 for all three counties combined.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2009

H

D

HOUSE BILL 2055\*

Insurance Committee Substitute Adopted 6/17/10

PROPOSED COMMITTEE SUBSTITUTE H2055-CSME-18 [v.3]

6/28/2010 3:50:18 PM

Short Title: State Health Plan/ Local Govt Retiree Contrib.

(Local)

Sponsors:

Referred to:

May 27, 2010

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT A LOCAL GOVERNMENT THAT HAS BEEN SUBMITTING PREMIUM PAYMENTS FOR ITS EMPLOYEES TO THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES IS NOT LIABLE FOR CONTRIBUTIONS OWED TO THE STATE RETIREMENT SYSTEM FOR A SPECIFIED PERIOD.

The General Assembly of North Carolina enacts:

**SECTION 1.** This act applies to Bladen, Rutherford, and Washington Counties only.

**SECTION 2.** Notwithstanding Section 31.26(b) of S.L. 2004-124, a local government that was approved to participate in the Teachers' and State Employees' Comprehensive Major Medical Plan ("Plan") (predecessor plan to the State Health Plan for Teachers and State Employees) effective July 1, 2004, and that has been making contributions to the Plan for its active and retired employees based on active employee contribution rates, is not liable for the amount of contributions owed to the Retiree Health Benefit Fund under G.S. 135-7(f) that represents the difference between the contribution rate owed under S.L. 2004-124 and the amount actually paid to the Plan for local government retiree coverage.

**SECTION 3.** This act becomes effective July 1, 2010, and applies only to retirement contributions owing for the period July 1, 2005, through June 30, 2008.

# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

ARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038  
Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

June 25, 2010

Mr. Mark Trogdon  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: House Bill 2055 Proposed Committee Substitute H2055-CSME-18 [v.1]: An Act to Provide That a Local Government That Has Been Submitting Premium Payments For Its Employees to the State Health Plan Is Not Liable For Contributions Owed to the Retiree Health Benefit Fund for a Specified Period

Dear Mr. Trogdon:

The proposed committee substitute to this bill provides that notwithstanding Section 31.26(b) of S.L. 2004-124, a local government that was approved to participate in the State Health Plan and that has been making contributions to the Plan for its retired members, is not liable for contributions owed to the Retiree Health Benefit Fund under G.S. 135-7(f). This act applies only to Bladen, Rutherford, and Washington Counties. This act is effective July 1, 2010 and applies to retirement contributions owing for the period July 1, 2005 through June 30, 2008.

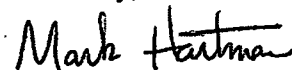
This bill will have no impact on the Plan since the Plan received the actual premium payments. The bill will create a loss to the Retiree Health Benefit Fund for the difference in the amount of required contributions to the Fund and the premiums paid to the Plan. The loss to the Retiree Health Benefit Fund, including loss of investment income, is shown below for each county.

Loss to Retiree Health Benefit Fund			
County	Premiums Paid to SHP	Contributions Owed Retiree Fund	Accumulated Loss to Fund
Bladen	\$431,667	\$2,319,625	\$2,137,000
Rutherford	\$539,363	\$1,501,963	\$1,085,000
Washington	\$120,754	\$484,680	\$410,000
Total	\$1,091,784	\$4,306,268	\$3,632,000

This calculation is based on premium data provided by the State Health Plan, data from the Retirement Systems Division showing required payroll contributions to the Fund and investment returns from the State Treasurer's Annual Report for the Short Term Investment Fund.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

Title Change

LOCAL BILL

Proposed Committee Substitute For  
H.B. 2055

SESSION LAW

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT A LOCAL GOVERNMENT THAT HAS BEEN SUBMITTING PREMIUM PAYMENTS FOR ITS EMPLOYEES TO THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES IS NOT LIABLE FOR CONTRIBUTIONS OWED TO THE RETIREE HEALTH BENEFIT FUND FOR A SPECIFIED PERIOD.

Introduced by Representative(s):

England

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

Principal Clerk's Use Only

Committee on Insurance  
majority being present, having considered  
this bill, recommend that it do ☒ pass.

Rep. Heforth & Wray  
For the Committee

and be referred to  
committee on Pensions and  
Retirement

FAVORABLE TO COMM. SUB.  
UNFAVORABLE TO BILL.

JUN 21 2010

TITLE CHANGE

AND PLACED ON  
CALENDAR FOR

Pensions & Retirement

*Rep Tucker*

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

☒ Committee Substitute for

**HB 2055**

A BILL TO BE ENTITLED AN ACT TO PROVIDE THAT A LOCAL GOVERNMENT THAT HAS BEEN SUBMITTING PREMIUM PAYMENTS FOR ITS EMPLOYEES TO THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES IS NOT LIABLE FOR CONTRIBUTIONS OWED TO THE RETIREE HEALTH BENEFIT FUND FOR A SPECIFIED PERIOD.

☒ With a favorable report as to Committee Substitute Bill #2, unfavorable as to Committee Substitute Bill #1..

**(FOR JOURNAL USE ONLY)**

\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

S

3

SENATE BILL 1386  
State and Local Government Committee Substitute Adopted 6/15/10  
Third Edition Engrossed 6/16/10

Short Title: Government Employees Port Benefits. (Public)

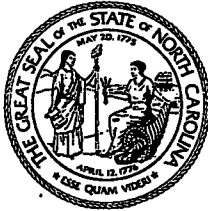
Sponsors:

Referred to:

May 26, 2010

- 1 A BILL TO BE ENTITLED  
2 AN ACT AUTHORIZING THE LEGISLATIVE RESEARCH COMMISSION TO STUDY  
3 ALLOWING EMPLOYEES MOVING BETWEEN STATE, CITY, AND COUNTY  
4 GOVERNMENT TO PORT THEIR SICK AND ANNUAL LEAVE.  
5 The General Assembly of North Carolina enacts:  
6 SECTION 1. The Legislative Research Commission may study the issue of  
7 allowing the State Personnel Commission to transfer an employee's accrued annual and sick  
8 leave from a city or county, and allowing such transfers for employees shifting employment  
9 between units of local government. In conducting the study, the Commission shall consider the  
10 fiscal impact of allowing the transfers, including any impact on the Teachers' and State  
11 Employees' Retirement System and Local Governmental Employees' Retirement System.  
12 SECTION 2. The Legislative Research Commission may make an interim report to  
13 the 2011 General Assembly and shall make its final report to the 2011 General Assembly,  
14 Regular Session 2012.  
15 SECTION 3. This act is effective when it becomes law.





## SENATE BILL 1386: Government Employees Port Benefits

2009-2010 General Assembly

**Committee:** House Pensions and Retirement  
**Introduced by:** Sen. East  
**Analysis of:** Third Edition

**Date:** June 29, 2010  
**Prepared by:** Theresa Matula  
Committee Staff

**SUMMARY:** *Senate Bill 1386 authorizes the Legislative Research Commission to study issues related to allowing former local government employees to transfer accumulated sick and annual leave balances from a local government employer to a State government employer and to study the issues related to allowing leave balance transfers from one local government employer to another local government employer.*

### CURRENT LAW:

G.S. 126-4 authorizes the State Personnel Commission to set hours and days of work, vacation and sick leave and other conditions of employment.

G.S. 153A-42 authorizes the boards of county commissioners to fix pay and other compensation for county officers and employees.

G.S. 160A-162 authorizes city councils to fix pay and other compensation for city employees.

### BILL ANALYSIS:

Senate Bill 1386 authorizes the Legislative Research Commission (LRC) to study issues related to the transfer of annual and sick leave balances from local government employers to State government employers when employees change jobs. The LRC would also be authorized to study leave balance transfers among local government employers. During the course of the study, the LRC is required to consider the impact of allowing leave balance transfers on the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System.

The LRC is authorized to make an interim report to the 2011 General Assembly and a final report to the 2012 Regular Session of the 2011 General Assembly.

This bill would become effective when it becomes law.

*Barbara Riley contributed to this summary.*

*S1386-SMSH-201(e3).v1*



NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. 3

H. B. No. \_\_\_\_\_

DATE June 30, 2010

S. B. No. 1386

Amendment No. \_\_\_\_\_

COMMITTEE SUBSTITUTE \_\_\_\_\_

(to be filled in by  
Principal Clerk)

Rep. Ross  
Sen.)

1 moves to amend the bill on page 1, line 3

2 (✓) WHICH CHANGES THE TITLE

3 by rewriting the line to read:

4 "ALLOWING EMPLOYEES MOVING BETWEEN  
5 LOCAL EDUCATION AGENCIES, STATE, CITY,  
6 AND COUNTY " ;

7  
8 and on page 1, line 7 by rewriting the  
9 line to read:

10 " allowing Local Education Agencies, and the  
11 State Personnel Commission to transfer  
12 an employee's accrued annual and sick".

13 \_\_\_\_\_  
14 \_\_\_\_\_  
15 \_\_\_\_\_  
16 \_\_\_\_\_  
17 \_\_\_\_\_  
18 \_\_\_\_\_  
19 \_\_\_\_\_

SIGNED Be

ADOPTED \_\_\_\_\_ FAILED \_\_\_\_\_ TABLED \_\_\_\_\_

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2009

S

D

SENATE BILL 1386

State and Local Government Committee Substitute Adopted 6/15/10

Third Edition Engrossed 6/16/10

PROPOSED HOUSE COMMITTEE SUBSTITUTE S1386-PCS85377-SH-88

Short Title: Government Employees Port Benefits.

(Public)

Sponsors:

Referred to:

May 26, 2010

A BILL TO BE ENTITLED

AN ACT AUTHORIZING THE LEGISLATIVE RESEARCH COMMISSION TO STUDY  
ALLOWING EMPLOYEES MOVING BETWEEN LOCAL EDUCATION AGENCIES,  
STATE, CITY, AND COUNTY GOVERNMENT TO PORT THEIR SICK AND  
ANNUAL LEAVE.

The General Assembly of North Carolina enacts:

**SECTION 1.** The Legislative Research Commission may study the issue of  
allowing Local Education Agencies and the State Personnel Commission to transfer an  
employee's accrued annual and sick leave from a city or county, and allowing such transfers for  
employees shifting employment between units of local government. In conducting the study,  
the Commission shall consider the fiscal impact of allowing the transfers, including any impact  
on the Teachers' and State Employees' Retirement System and Local Governmental Employees'  
Retirement System.

**SECTION 2.** The Legislative Research Commission may make an interim report to  
the 2011 General Assembly and shall make its final report to the 2011 General Assembly,  
Regular Session 2012.

**SECTION 3.** This act is effective when it becomes law.



\* S 1 3 8 6 - P C S 8 5 3 7 7 - S H - 8 8 \*

*Ex Loc. Gov.*  
sed Committee Substitute For  
1386

SESSION LAW \_\_\_\_\_

AN ACT AUTHORIZING THE LEGISLATIVE RESEARCH COMMISSION TO STUDY ALLOWING EMPLOYEES MOVING BETWEEN STATE, CITY, AND COUNTY GOVERNMENT TO PORT THEIR SICK AND ANNUAL LEAVE.

*Introduced by Senator(s)*

East

Principal Clerk's Use Only

**Committee Substitute  
Adopted  
Pursuant to Rule 45.1  
JUN 15 2010'**

PASSED 2nd & 3rd  
READINGS  
47-0 VU  
JUN 16 2010  
crossed  
ORDERED SENT TO  
HOUSE OF REPRESENTATIVES

**RECEIVED**

JUN 17 2010

1112  
PASSED 1st READING  
JUN 21 2010  
AND REFERRED TO COMMITTEE  
ON State Government

of Law Persecution  
and Retribution

The Committee on State Govt.  
a majority being present, having considered  
this bill, recommend that it do ✓ pass.

*Rep. W. W. W. W.*  
For the Committee

And is re-referred to the Committee on Pensions and Retirement.

**REPORTED FAVORABLY**

**JUN 29 2010**

**AND RE-REFERRED TO  
APPROPRIATIONS FINANCE**

Pensions & Ret.

**HANGES TITLE**

2  
INT | JUN 16 2010  
Adopted 47-0

*Rep. Tucker*

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

☒ Committee Substitute for

**SB 1386**

A BILL TO BE ENTITLED AN ACT AUTHORIZING THE LEGISLATIVE RESEARCH COMMISSION TO STUDY ALLOWING EMPLOYEES MOVING BETWEEN STATE, CITY, AND COUNTY GOVERNMENT TO PORT THEIR SICK AND ANNUAL LEAVE.

☒ With a favorable report as to House committee substitute bill, which changes the title, unfavorable as to Senate committee substitute bill and recommendation that the House committee substitute bill be re-referred to the Committee on RULES, CALENDAR, AND OPERATIONS OF THE HOUSE.

**(FOR JOURNAL USE ONLY)**

\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the (House/Senate) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is placed on the Calendar of \_\_\_\_\_. (The original bill resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

\_\_\_\_\_ The (House) committee substitute bill/(joint) resolution (No. \_\_\_\_\_) is re-referred to the Committee on \_\_\_\_\_. (The original bill/resolution) (House/Senate Committee Substitute Bill/(Joint) resolution No. \_\_\_\_\_) is placed on the Unfavorable Calendar.

# VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

JUNE 30, 2010

Name of Committee

Date

**VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK**

NAME

FIRM OR AGENCY AND ADDRESS

Michael Williamson	State Treasurer
David Starling	"
Julie Hochshtein	"
Don East	NEGA
Marge Freeman	NCAE
Dorey Lassiter	NCSTA
Wesley Trank	NCAE
PAIGE WORSHAM	SCHOOL OF GOVERNMENT
Ardis Watkins	SEANC
Suzanne Beasley	SEANC
El Regan	NCRGEA
Andrea Cagle	DLC Assoc

## VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT

JUNE 30, 2010

Name of Committee

Date

**VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK**

NAME

FIRM OR AGENCY AND ADDRESS

David Anderson	PFFPAK
Sherron McCoy	Nationwide
Phil Ziegler	NW
Pam Deardorff	NCRSP

HOUSE PAGES

NAME OF COMMITTEE PENSIONS & RETIREMENT DATE 6-30-2010

1. Name: Spencer Pegg

County: Stanly

Sponsor: Paul Starn

2. Name: Dusk Stroud

County: Lenior

Sponsor: Van Braxton

3. Name: Frazier Robinson

County: Guilford

Sponsor: Blust

4. Name: Andy Steffan

County: Caswell

Sponsor: Hugh Holliman

5. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

SGT-AT-ARM

1. Name: DON McLENNAN

2. Name: BILL BASS

3. Name: \_\_\_\_\_

4. Name: \_\_\_\_\_



North Carolina General Assembly  
**House Committee on Pensions & Retirement**  
**MINUTES**

~  
Wednesday, July 7, 2010

The House Committee on Pensions and Retirement met Wednesday, July 7, 2010 at 10:00 a.m. in Room 415 of the Legislative Office Building. The following members were present: Representative Russell Tucker, Chair, Representatives Bell, Folwell and Hurley Vice Chairs and Representatives Farmer-Butterfield, McLawhorn, Ross and Tolson. Staff assisting the committee were Karen Cochran-Brown, Theresa Matula, Stanley Moore and Mark Trogden. Nine visitors attended and a visitor's registration sheet is attached as part of these minutes.

The Chair called the meeting to order and asked the pages to introduce themselves. They were Cameron Perry, Camden County, sponsored by Representative Wainwright, Preston Ferguson, Chatham County, sponsored by Representative Fisher, Cameron Skidmore, Stanly County, sponsored by Justin Burr and Alazzia Hasty, Northampton County, sponsored by Representative Hackney. Sergeant-at-Arms Reggie Sills and Mike Martin were introduced by the Chair.

Chairman Tucker recognized Senator McKissick to present SB 1392 A BILL TO BE ENTITLED AN ACT TO ALLOW STATE EMPLOYEES TO ENROLL CHILDREN FOR WHICH THEY ARE COURT-APPOINTED GUARDIANS AS DEPENDENTS IN THE NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES. (*Attachment #1*). Representative Farmer-Butterfield made a motion to give the bill a favorable report. Motion carried.

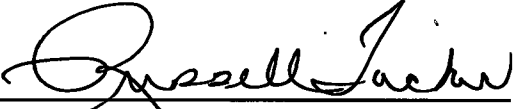
Representative Guice was recognized by the Chair to present his bill for concurrence, HB 1778 A BILL TO BE ENTITLED AN ACT TO AUTHORIZE BREVARD ACADEMY, AN EXISTING CHARTER SCHOOL, TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES; AND TO AUTHORIZE STERLING MONTESSORI ACADEMY AND CHARTER SCHOOL TO ELECT TO PARTICIPATE IN THE STATE HEALTH PLAN



FOR TEACHERS AND STATE EMPLOYEES. (*Attachment #2*). Representative Guice called on Staff Mark Trogden to assist in explaining the Actuarial Note. Representative Ross moved to approve for concurrence. Motion passed.

There being no further business, the meeting adjourned at 10:15 a.m.

Respectfully submitted,

  
Representative Russell Tucker, Chair

  
Sally Gillis/Committee Assistant

# **AGENDA**

## **HOUSE COMMITTEE ON PENSIONS AND RETIREMENT**

**Wednesday, July 7, 2010**

**Room 415 LOB**

**10:00 A.M.**

### **OPENING REMARKS**

**Representative Tucker,  
Chair**

**HB 1778 Charter School/Retirement SHP  
Election**

**Representative Guice**

**SB 1392 State Health Plan/Court-ordered  
Guardianship**

**Senator McKissick**

### **ADJOURNMENT**

**NORTH CAROLINA HOUSE OF REPRESENTATIVES  
COMMITTEE MEETING NOTICE  
AND  
BILL SPONSOR NOTIFICATION  
2009-2010 SESSION**

You are hereby notified that the Committee on Pensions and Retirement will meet as follows:

**DAY & DATE:** Wednesday, July 7, 2010

**TIME:** 10:00 am

**LOCATION:** 415 LOB

**COMMENTS:**

The following bills will be considered:

<b>BILL NO.</b>	<b>SHORT TITLE</b>	<b>SPONSOR</b>
SB 1392	State Health Plan/Court-Ordered Guardianship	Senator McKissick

Respectfully,  
Representative Tucker, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 5:00 p.m., July 6, 2010.

Principal Clerk  
Reading Clerk - House Chamber

**Sally Gillis (Committee Assistant)**

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

S

1

**SENATE BILL 1392\***

Short Title:	State Health Plan/Court-Ordered Guardianships.	(Public)
Sponsors:	Senator McKissick.	
Referred to:	Pensions & Retirement & Aging.	

May 26, 2010

A BILL TO BE ENTITLED

AN ACT TO ALLOW STATE EMPLOYEES TO ENROLL CHILDREN FOR WHICH THEY ARE COURT-APPOINTED GUARDIANS AS DEPENDENTS IN THE NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 135-45.1(10) reads as rewritten:

**"§ 135-45.1. General definitions.**

As used in this Article unless the context clearly requires otherwise, the following definitions apply:

...  
(10) **Dependent child.** – A natural, legally adopted, or foster child or children of the employee and or spouse, unmarried, up to the first of the month following his or her 19th birthday, whether or not the child is living with the employee, as long as the employee is legally responsible for such child's maintenance and support. Dependent child also includes a child for which an employee is a court-appointed guardian, as long as the employee is legally responsible for the child's maintenance and support. Dependent child also includes a stepchild of the member who is married to the stepchild's natural parent. To be eligible, the stepchild must have his or her primary residence with the member. Dependent child shall also include any child under age 19 who has reached his or her 18th birthday, provided the employee was legally responsible for such child's maintenance and support on his or her 18th birthday. Dependent children of firefighters, rescue squad workers, and members of the National Guard are subject to the same terms and conditions as are other dependent children covered by this subdivision. Eligibility of dependent children is subject to the requirements of G.S. 135-45.2(d). The Plan may require documentation from the member confirming a child's eligibility to be covered as the member's dependent."

**SECTION 2.** This act becomes effective July 1, 2010.





# SENATE BILL 1392: State Health Plan/Court-Ordered Guardianships

2009-2010 General Assembly

**Committee:** House Pensions and Retirement  
**Introduced by:** Sen. McKissick  
**Analysis of:** First Edition

**Date:** July 6, 2010  
**Prepared by:** Theresa Matula  
Committee Staff

**SUMMARY:** *Senate Bill 1392 amends the State Health Plan's definition of "dependent child" so that it includes a child for which an employee is a court-appointed guardian and is legally responsible for the child's maintenance and support.*

[As introduced, this bill was identical to H1991, as introduced by Reps. Farmer-Butterfield, Bryant, Goodwin, Hurley, which is currently in House Insurance, if favorable, Appropriations.]

## BILL ANALYSIS:

Senate Bill 1392 amends the definition of "dependent child" under the State Health Plan. The amended definition allows coverage of a child whose court-appointed guardian is an employee eligible for coverage, as long as the employee is legally responsible for the child's maintenance and support. This would allow an employee who is a guardian appointed by the court the option of providing insurance coverage under the State Health Plan for the child for whom they are appointed guardian.

Senate Bill 1392 would become effective July 1, 2010.

## CURRENT LAW:

G.S. 135-45.1 contains definitions related to the State Health Plan.

G.S. 135-45.1(10) is the definition of "dependent child" for purposes of the State Health Plan. Currently a dependent child is defined as:

"a natural, legally adopted, or foster child or children of the employee and or spouse, unmarried, up to the first of the month following his or her 19th birthday, whether or not the child is living with the employee, as long as the employee is legally responsible for such child's maintenance and support. Dependent child also includes a stepchild of the member who is married to the stepchild's natural parent. To be eligible, the stepchild must have his or her primary residence with the member. Dependent child shall also include any child under age 19 who has reached his or her 18th birthday, provided the employee was legally responsible for such child's maintenance and support on his or her 18th birthday. Dependent children of firefighters, rescue squad workers, and members of the National Guard are subject to the same terms and conditions as are other dependent children covered by this subdivision. Eligibility of dependent children is subject to the requirements of G.S. 135-45.2(d). The Plan may require documentation from the member confirming a child's eligibility to be covered as the member's dependent."

G.S. 135-45.2(d) pertains to foster children and coverage for a dependent beyond the 19<sup>th</sup> birthday. The subsection provides that:

"a foster child is covered as a dependent child (i) if living in a regular parent-child relationship with the expectation that the employee will continue to rear the child into adulthood, (ii) if at the time of enrollment, or at the time a foster child relationship is established, whichever occurs first, the employee applies for coverage for such child and submits evidence of a bona fide foster child relationship, identifying the foster child by name and setting forth all relevant aspects of the relationship, (iii) if the claims processor accepts the foster child as a participant through a separate written document identifying the foster child by name and specifically recognizing the

# Senate Bill 1392

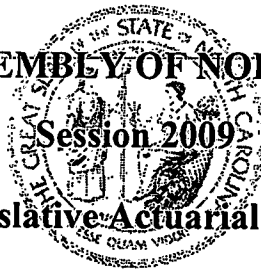
Page 2

foster child relationship, and (iv) if at the time a claim is incurred, the foster child relationship, as identified by the employee, continues to exist. Children placed in a home by a welfare agency which obtains control of, and provides for maintenance of the child, are not eligible participants.

Coverage of a dependent child may be extended beyond the 19th birthday under the following conditions:

- (1) If the dependent is a full-time student, through the end of the month following the student's 26th birthday. As used in this section, a full-time student is a student who is pursuing a course of study that represents at least the normal workload of a full-time student at a school or college accredited by the state of jurisdiction. In accordance with applicable federal law, coverage of a full time student that loses full-time status due to illness or injury may be extended for one year from the effective date of the loss of full-time status provided that the student was enrolled at the time of the onset of the illness or injury.
- (2) The dependent is physically or mentally incapacitated to the extent that he or she is incapable of earning a living and (i) such handicap developed or began to develop before the dependent's 19th birthday, or (ii) such handicap developed or began to develop before the dependent's 26th birthday if the dependent was covered by the Plan in accordance with G.S. 135-45.2(5)a."

SI392-SMSH-208(e1) v2



Legislative Actuarial Note

HEALTH BENEFITS

**BILL NUMBER:** Senate Bill 1392 (First Edition)

**SHORT TITLE:** State Health Plan/Court-Ordered Guardianships.

**SPONSOR(S):** Senator McKissick

**SYSTEM OR PROGRAM AFFECTED:** State Health Plan for Teachers and State Employees (Plan).

**FUNDS AFFECTED:** State General Fund, State Highway Fund, other State employer receipts; premium payments for dependents of active employees and retired employees of State agencies and universities, local public schools and local community colleges; premium payments for coverages selected by eligible former employees; premium payments for coverages selected by firefighters, rescue squad workers, members of the National Guard, and certain authorized local governments.

**BILL SUMMARY:** The bill amends the definition of "Dependent child" under G.S. 135-45.1(10) to include a child for which an employee enrolled in the Plan is a court-appointed guardian and who is legally responsible for the child's maintenance and support. The effect of the bill would be to allow a minor child under a court-ordered guardianship to be eligible for health benefit coverage under the Plan.

**EFFECTIVE DATE:** July 1, 2010

**ESTIMATED IMPACT ON STATE:**

Aon Consulting, consulting actuary for the State Health Plan estimates the midpoint financial impact to the Plan would be an estimated \$18,000 for FY 2010-11. Given there is no readily available experience data to project when a minor child may enter or exit the care of a court-appointed guardian at a particular age, Aon Consulting's financial estimate assumes a uniform distribution of guardianships across all ages up to age 18. The effect of this methodology is to project a cost that assumes the number of years that a minor child remains under guardianship varies from child to child. The effect of the methodology used by Aon Consulting is to project an average annual cost of the bill.

Hartman & Associates, consulting actuary for the General Assembly's Fiscal Research Division, estimates the maximum annual cost to the Plan for FY 2010-11 is \$125,000. Given there is no readily available experience data to project when a minor child may enter or exit the care of a court appointed guardian at a particular age, Hartman & Associates' estimate assumes all guardianships have an 18-year duration spanning from birth up through age 17. The effect of the methodology used by Hartman & Associates is to project a maximum annual cost.

The additional cost impact of the requirements of the bill, projected by either consulting actuary, would be expected to impact total claims growth by approximately five one thousandths of one percent (0.005%) for the 2010-2011 fiscal year based on the highest estimate of additional cost (i.e., \$125,000).

**ASSUMPTIONS AND METHODOLOGY:** The actuarial analyses used by each respective consulting actuary are on file with the Fiscal Research Division. Copies of each respective consulting actuary's analysis, including assumptions, are also attached to the original copy of this Legislative Actuarial note

Each actuary was provided with an estimate of guardianships of minor children appointed per year based on information provided by the Administrative Office of the Courts (AOC). It is estimated that there were 54 guardianships of minor children granted in 2005 and 56 in 2009 based on a count for each those respective years by AOC staff. Given the relatively small variance in the number of guardianship cases for minor children in each of these respective years, the same rate of annual court appointed guardianships was assumed to occur into the future for purposes of estimating financial impact under the bill. There was no readily available experience data reflecting the age at which minor children subject to guardianship entered or exited this status.

Based on the ratio of adult State Health Plan members to the population of the State, the respective consulting actuaries estimated that 7% to 8% of plan members would be projected to be guardians of minor children. This results in an estimated average of 4 additional children annually becoming eligible for coverage under the Plan as a minor child under a guardianship arrangement sanctioned by the courts. On a year-to-year basis, total average membership would be 40 dependent child plan members subject to a guardianship arrangement under the estimation methodology used by Aon Consulting which assumes a uniform distribution by age. Similarly, under the estimation method used by Hartman & Associates, total average membership would be a projected 75 plan members who are minor children under a guardianship arrangement assuming the period of guardianship lasted from birth up through age 17.

#### **Summary Information and Data about the Plan**

The Plan administers health benefit coverage for active employees from employing units of State agencies and departments, universities, local public schools, and local community colleges. Eligible retired employees of authorized employing units may also access health benefit coverage under the Plan. Eligible dependents of active and retired employees are authorized to participate in the Plan provided they meet certain requirements. Employees and retired employees of selected local governments may also participate in the Plan under certain conditions. Members of fire, rescue squads, and the National Guard may also obtain coverage under the Plan provided they meet certain eligibility criteria.

As of July 1, 2009, the State finances the Plan on a self-funded basis and administers benefit coverage under a Preferred Provider Option (PPO) arrangement. The Plan's receipts are derived through premium contributions, investment earnings and other receipts. Premiums for health benefit coverage are paid by (1) employing agencies for active employees, (2) the Retiree Health Benefit Fund for retired employees, and (3) employees and retirees who elect dependent coverage. Total *revised* requirements for the Plan are estimated to be \$2.55 billion for FY 2009-10 and \$2.74 billion for FY 2010-11. The Plan's PPO benefit design includes two alternative benefit levels listed below:

- 1) The "Basic" 70/30 plan that offers higher out-of-pocket requirements in return for lower fully contributory dependent premiums; and
- 2) The "Standard" 80/20 plan.

The Basic and Standard plans offer coverage to employees and retired employees on a noncontributory basis. Coverage for dependents under both plans is offered on a fully contributory basis.



## **Financial Condition**

**Revised Financial Projection 2009-11 Biennium** – The following summarizes a revised financial projection by conducted by the Plan's consulting actuary, Aon Consulting, for the 2009-11 biennium. The information is provided by fiscal year based on year-to-date financial experience (through March 2010) and other updated factors.

For the fiscal year beginning July 1, 2009, the Plan began its operations with a beginning cash balance of \$189.9 million. Receipts for the year are projected to be \$2.41 billion from net premium collections, \$74.4 million from Medicare Part D subsidies, and \$3.4 million from investment earnings for a total of approximately \$2.49 billion in receipt income for the year. Projected disbursements from the Plan are expected to be \$2.39 billion in net claim-payment expenses and \$164.1 million in administration and claims-processing expenses for projected total expenses of nearly \$2.55 billion for FY 2009-10. The Plan's net operating loss is projected to be approximately \$66.3 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2009.

For the fiscal year beginning July 1, 2010, the Plan is projected to begin its operations with a beginning cash balance of \$123.6 million. Receipts for the year are projected to be \$2.68 billion from net premium collections, \$56.1 million from Medicare Part D subsidies, and \$2.7 million from investment earnings for a total of approximately \$2.73 billion in receipt income for the year. Projected disbursements from the Plan are expected to be \$2.55 billion in net claim-payment expenses and \$191.7 million in administration and claims-processing expenses for projected total expenses of nearly \$2.74 billion for FY 2010-11. The Plan's net operating loss is projected to be approximately \$7.1 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2010.

Based on the revised financial projection (May 2010), the Plan's estimated ending cash balance on June 30, 2011 is projected to be \$116.5 million. This amount is approximately \$75.7 million less than the originally projected (April 2009) ending cash balance of \$192.2 million.

**Original Financial Projection 2009-11 Biennium (April 2009)** – Session Law 2009-16 (Senate Bill 287) appropriated funds from various sources, authorized annual premium rate increases, made various benefit and provider related changes to achieve financial savings, and directed other various changes to the Plan. The enacted law also appropriated the sum of \$250 million from the Savings Reserve Account ("Rainy Day Fund") of the General Fund for the 2008-09 fiscal year. The following summarizes the original financial projection by fiscal year for the 2009-11 biennium and assumes the changes enacted in Session Law 2009-16 (Senate Bill 287).

For the fiscal year beginning July 1, 2009, the Plan was projected to begin its operations with a beginning cash balance of \$146.9 million. Receipts for the year were projected to be \$2.4 billion from net premium collections, \$56.3 million from Medicare Part D subsidies, and \$8.0 million from investment earnings for a total of approximately \$2.5 billion in receipt income for the year. Projected disbursements from the Plan were expected to be \$2.3 billion in net claim-payment expenses and \$185.6 million in administration and claims-processing expenses for projected total expenses of nearly \$2.5 billion for FY 2009-10. The Plan's net operating income was projected to be approximately \$14.8 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2009.

For the fiscal year beginning July 1, 2010, the Plan was projected to begin its operations with a beginning cash balance of \$161.6 million. Receipts for the year were projected to be \$2.7 billion from net premium collections, \$50.4 million from Medicare Part D subsidies, and \$8.8 million from investment earnings for a total of approximately \$2.7 billion in receipt income for the year. Projected disbursements from the

Plan were expected to be \$2.5 billion in net claim-payment expenses and \$191.7 million in administration and claims-processing expenses for projected total expenses of nearly \$2.7 billion for FY 2010-11. The Plan's net operating income was projected to be approximately \$30.6 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2010.

#### **Other Information**

Historically, the Plan has applied a premium increase in October of the first fiscal year of a biennium. However, the annual premium increases authorized in Session Law 2009-16 (Senate Bill 287) changes that methodology to an annual increase at the beginning of each fiscal year of the 2009-11 biennium.

Additional assumptions include Medicare benefit "carve-outs," cost containment strategies including prior approval for certain medical services, utilization of the "Blue Options" provider network, case and disease management for selected medical conditions, mental health case management, coordination of benefits with other payers, a prescription drug benefit manager with manufacturer rebates from formularies, and fraud detection, and other authorized actions by the Executive Administrator and Board of Trustees to manage the Plan to maintain and improve the Plan's operation and financial condition where possible. Claim cost trends are expected to increase at a rate of 9% annually according to the Plan's consulting actuary. Investment earnings are based upon a 4.5% return on available cash balances.

# Enrollment as of December 31, 2009

				Percent of Total
I. No. of Participants	Basic	Standard	Total	
<u>Actives</u>				
Employees	13,830	307,541	321,371	48.6%
Dependents	24,593	135,563	160,156	24.2%
Sub-total	38,423	443,104	481,527	72.8%
<u>Retired</u>				
Employees	2,074	151,395	153,469	23.2%
Dependents	1,313	18,075	19,388	2.9%
Sub-total	3,387	169,470	172,857	26.1%
<u>Former Employees with</u>				
Continuation Coverage				
Employees	121	3,120	3,241	0.5%
Dependents	87	749	836	0.1%
Sub-total	208	3,869	4,077	0.6%
<u>Firefighters, Rescue Squad &amp;</u>				
National Guard				
Employees	-	5	5	0.0%
Dependents	-	3	3	0.0%
Sub-total	-	8	8	0.0%
<u>Local Governments</u>				
Employees	91	1,829	1,920	0.3%
Dependents	174	777	951	0.1%
Sub-total	265	2,606	2,871	0.4%
<u>Total</u>				
Employees	16,116	463,885	480,001	72.6%
Dependents	26,167	155,164	181,331	27.4%
Grand Total	42,283	619,049	661,332	100%
Percent of Total	6.4%	93.6%	100.0%	

<b>II. Enrollment by Contract</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Employee Only	3,252	378,539	381,791
Employee Child(ren)	6,026	43,820	49,846
Employee Spouse	2,550	21,785	24,335
Employee Family	4,288	19,741	24,029
<b>Total</b>	<b>16,116</b>	<b>463,885</b>	<b>480,001</b>

<b>Percent Enrollment by Contract</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Employee Only	20.2%	81.6%	79.5%
Employee Child(ren)	37.4%	9.4%	10.4%
Employee Spouse	15.8%	4.7%	5.1%
Employee Family	26.6%	4.3%	5.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>III. Enrollment by Sex</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Female	22,479	390,209	412,688
Male	19,804	228,840	248,644
<b>Total</b>	<b>42,283</b>	<b>619,049</b>	<b>661,332</b>

<b>Percent Enrollment by Sex</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Female	53.2%	63.0%	62.4%
Male	46.8%	37.0%	37.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>IV. Enrollment by Age</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
19 & Under	17,315	95,431	112,746
20 to 29	3,311	57,142	60,453
30 to 44	9,555	120,292	129,847
45 to 54	6,455	108,447	114,902
55 to 64	4,090	128,933	133,023
65 & Over	1,557	108,804	110,361
<b>Total</b>	<b>42,283</b>	<b>619,049</b>	<b>661,332</b>

<b>Percent Enrollment by Age</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
19 & Under	41.0%	15.4%	17.0%
20 to 29	7.8%	9.2%	9.1%
30 to 44	22.6%	19.4%	19.6%
45 to 54	15.3%	17.5%	17.4%
55 to 64	9.7%	20.8%	20.1%
65 & Over	3.7%	17.6%	16.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>V. Retiree Enrollment by Category</b>	<b>Employee</b>	<b>Dependents</b>	<b>Total</b>
Non-Medicare Eligible	51,747	11,879	63,626
Medicare Eligible	101,722	7,509	109,231
<b>Total</b>	<b>153,469</b>	<b>19,388</b>	<b>172,857</b>

<b>VI. Enrollment By Major Employer Groups</b>	<b>Employees</b>	<b>Dependents</b>	<b>Total</b>
State Agencies	75,367	34,645	110,012
UNC System	50,106	29,726	79,832
Local Public Schools	181,270	88,258	269,528
Local Community Colleges	14,623	7,524	22,147
Other			
Local Governments	1,920	951	2,871
COBRA	3,241	836	4,077
Nat. Guard, Fire & Rescue	5	3	8
Sub-total	5,166	1,790	6,956
Retirement System	153,469	19,388	172,857
<b>Total</b>	<b>480,001</b>	<b>181,331</b>	<b>661,332</b>

<b>Percent Enrollment by Major Employer Groups</b>	<b>Employees</b>	<b>Dependents</b>	<b>Total</b>
State Agencies	15.7%	19.1%	16.6%
UNC System	10.4%	16.4%	12.1%
Local Public Schools	37.8%	48.7%	40.8%
Local Community Colleges	3.0%	4.1%	3.3%
Other			
Local Governments	0.4%	0.5%	0.4%
COBRA	0.7%	0.5%	0.6%
Nat. Guard, Fire & Rescue	0.0%	0.0%	0.0%
Sub-total	1.1%	1.0%	1.1%
Retirement System	32.0%	10.7%	26.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## **SOURCES OF DATA:**

-Actuarial Note, Hartman & Associates, "Senate Bill 1392: An Act to Allow State Employees to Enroll Children For Which They Are Court-Appointed Guardians as Dependents in the State Health Plan for Teachers and State Employees", June 15, 2010, an original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, "Senate Bill 1392 State Health Plan/Court-ordered Guardianships", June 18, 2010, an original of which is on file with the State Health Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

**FISCAL RESEARCH DIVISION: (919) 733-4910**

**PREPARED BY:** Mark Trogon

**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division

**DATE:**



**Signed Copy Located in the NCGA Principal Clerk's Offices**

**NORTH CAROLINA STATE HEALTH PLAN  
FOR TEACHERS AND STATE EMPLOYEES**

**SENATE BILL 1392**

**STATE HEALTH PLAN / COURT-ORDERED  
GUARDIANSHIPS**

**Prepared by:**

**Aon Consulting  
One Piedmont Center  
3565 Piedmont Road, N.E.  
Atlanta, Georgia 30305**

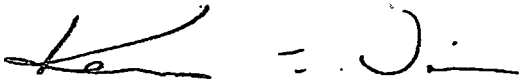
**June 2010**

## ACTUARIAL STATEMENT

The North Carolina State Health Plan for Teachers and State Employees has requested that Aon Consulting prepare an Actuarial Note in response to Senate Bill 1392 entitled "An Act To Allow State Employees To Enroll Children For Which They Are Court-Appointed Guardians As Dependents In The North Carolina State Health Plan For Teachers And State Employees."

The Actuarial Note was prepared according to generally accepted actuarial principles and practices, in compliance with General Statute 120-114. As required by statute, the Note includes an explanatory statement of the proposed change(s) and, to the extent possible, an estimate of the financial and actuarial effect of the proposed change(s) on the Plan. The Actuarial Note makes no comment or opinion with regard to the merits of the measure for which the Note is prepared; however, any identified technical or mechanical defects have been noted.

We have reviewed the input and results of our analysis for reasonableness, and relied upon the data and information provided by the Plan and their Claims Processing Contractor.



June 18, 2010

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Kenneth C. Vieira, F.S.A., M.A.A.A.  
Senior Vice President

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Date



June 18, 2010

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Kirsten R. Schatten, A.S.A., M.A.A.A.  
Assistant Vice President

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Date



## STATE HEALTH PLAN / COURT-ORDERED GUARDIANSHIPS

### PLAN CHANGES

The proposed legislation allows dependent coverage of children for which an employee is a court-appointed guardian legally responsible for the child's maintenance and support effective July 1, 2010. The full text of the bill is attached to this actuarial note.

### PROJECTED COSTS

Plan Design Change	Based on "Midpoint" Increase		
	2010-2011 Fiscal Year Cost	2011-2012 Fiscal Year Cost	Total Biennium Cost
Dependent coverage of children where employee is court-appointed guardian	\$18,000	\$20,000	\$38,000

### PRICING APPROACH AND COMMENTS

The following information was compiled and utilized in determining the projected costs or savings of each benefit component addressed in this actuarial note:

- The number of estimated court ordered guardianships awarded in North Carolina per year was provided to Aon by State Health Plan (Plan). This number is estimated to be 55 – 59 children each year.
- Aon estimated the percentage of state court ordered guardianships that would be covered by the Plan by calculating the ratio of Plan members to the North Carolina population, equal to 7%. This percentage was applied to the number of guardianships awarded in the state to estimate approximately 4 court ordered guardianships awarded for members in the Plan each year.
- Aon assumed the guardianships awarded each year are uniformly distributed between ages 0 through 17. Therefore, the numbers of cumulative guardianships by age are weighted toward the higher ages reflecting the fact that a 17 year old may have had a guardian appointed at any age between 0 and 17. Applying this assumption, we estimate 40 total court ordered guardianships currently eligible for coverage in the Plan.
- FY2011 claim cost per dependent child per year is estimated at \$1,560 per year.
- Multiplying the estimated number of Plan eligibles per year by the FY2011 claim cost per child per year, we project an annual estimated claim cost of \$61,684 for FY2011.
- Aon also projected the additional premium expected for employees that would be required to change tiers and pay higher premium to cover a dependent. We project an annual estimated additional premium of \$43,247 for FY2011.
- Subtracting the estimated FY2011 additional premium from the FY2011 estimated claim cost produces a net cost for FY2011 of \$18,436.
- Applying a trend of 9%, we project an annual estimated net cost of \$20,096 for FY2012.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2009

S

1

SENATE BILL 1392\*

Short Title: State Health Plan/Court-Ordered Guardianships.

(Public)

Sponsors: Senator McKissick.

Referred to: Pensions & Retirement & Aging.

May 26, 2010

A BILL TO BE ENTITLED

AN ACT TO ALLOW STATE EMPLOYEES TO ENROLL CHILDREN FOR WHICH  
THEY ARE COURT-APPOINTED GUARDIANS AS DEPENDENTS IN THE NORTH  
CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-45.1(10) reads as rewritten:

"§ 135-45.1. General definitions.

As used in this Article unless the context clearly requires otherwise, the following  
definitions apply:

(10) Dependent child. – A natural, legally adopted, or foster child or children of  
the employee and or spouse, unmarried, up to the first of the month  
following his or her 19th birthday, whether or not the child is living with the  
employee, as long as the employee is legally responsible for such child's  
maintenance and support. Dependent child also includes a child for which an  
employee is a court-appointed guardian, as long as the employee is legally  
responsible for the child's maintenance and support. Dependent child also  
includes a stepchild of the member who is married to the stepchild's natural  
parent. To be eligible, the stepchild must have his or her primary residence  
with the member. Dependent child shall also include any child under age 19  
who has reached his or her 18th birthday, provided the employee was legally  
responsible for such child's maintenance and support on his or her 18th  
birthday. Dependent children of firefighters, rescue squad workers, and  
members of the National Guard are subject to the same terms and conditions  
as are other dependent children covered by this subdivision. Eligibility of  
dependent children is subject to the requirements of G.S. 135-45.2(d). The  
Plan may require documentation from the member confirming a child's  
eligibility to be covered as the member's dependent."

SECTION 2. This act becomes effective July 1, 2010.



\* S 1 3 9 2 - V - 1 \*

# HARTMAN & ASSOCIATES, LLC

## ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

June 15, 2010

Mr. Mark Trogdon  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: Senate Bill 1392: An Act to Allow State Employees to Enroll Children For Which They Are Court-Appointed Guardians as Dependents in the State Health Plan for Teachers and State Employees

Dear Mr. Trogdon:

This bill amends G.S. 135-45.1(10) to modify the definition of Dependent Child under the North Carolina State Health Plan for Teachers and State Employees. This revision would include as eligible dependents under the Plan a child for which an employee is a court-appointed guardian, as long as the employee is legally responsible for the child's maintenance and support. This act is effective July 1, 2010.

Adding additional child dependents under the Plan will produce additional benefit payments by the Plan, offset by additional premiums paid by members for dependent coverage. The overall financial impact on the Plan will depend on the following:

- The number of children for whom a covered employee is legal guardian.
- The percentage that elect to cover dependent children under the Plan.
- The coverage tier (Family or Employee/Child) under which the dependent is covered.
- The existence of other children covered under the same contract, in which cases no additional premium will be payable.

Specific data for the above factors is not available. However, based on data regarding the number of legal guardianships in North Carolina, I have estimated the maximum cost to the Plan from this bill. The estimated maximum cost is \$125,000 per year. A summary calculation is included in Attachment #1.

This estimate is based on data from the Administrative Office of the Courts showing 54 general guardianships of minors in 2005 and 56 in 2009. I assumed the distribution of these dependents by plan option and coverage tier is the same as for current covered dependent children.

Dependent claim costs are based on data for fiscal year 2009 and fiscal year 2010 through March. A risk factor of 50% was included to cover potential selection against the Plan. I have not included any provision for additional administrative costs, and the Plan has indicated that

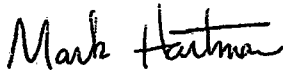
Mr. Mark Trogdon  
June 15, 2010

Page 2

additional administrative costs for a small number of additional dependents are expected to be minimal.

If you have any questions, let me know.

Sincerely,

A handwritten signature in cursive script that reads "Mark Hartman".

Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

NC State Health Plan -- Projected Cost Extending Dependent Coverage to Legal Guardians	
Item	Estimate
Legal Guardianships in NC per year	55
Number of Minors with Legal Guardian <sup>(1)</sup>	935
Percent Eligible for Plan Coverage <sup>(2)</sup>	8.0%
Percent Electing Coverage <sup>(3)</sup>	100%
Selection Factor	50%
Annual Premium Income	\$70,167
Annual Benefits Paid	\$169,917
Annual Net Gain/(Loss)	(\$99,750)

- (1) This assumes 55 guardianships per year for 17 years. The actual number of minors currently with a guardian is expected to be significantly lower as many will already have reached age 18.
- (2) The State Health Plan population over age 20 is 8.0% of the North Carolina over age 20 population.
- (3) Assume all elect coverage to determine maximum impact.

Note: To determine the maximum cost, I assumed SHP members become legal guardians at a higher rate than the general population. A 25% higher rate was used. The above cost would increase to approximately \$125,000 per year.

S.B. 1392

JD = H 1991

SESSION LAW

A BILL TO BE ENTITLED

AN ACT TO ALLOW STATE EMPLOYEES TO ENROLL CHILDREN FOR WHICH THEY ARE COURT-APPOINTED GUARDIANS AS DEPENDENTS IN THE NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES.

Introduced by Senator(s)

McKissick

*[Handwritten signature]*

Principal Clerk's Use Only

FILED MAY 25 2010

REPORTED FAVORABLY JUN 23 2010

PASSED 1st READING

MAY 26 2010

AND REFERRED TO COMMITTEE

ON *Pers, Ret & Aging*

Vote Attached JUN 22 2010

Co- on Pensions, Retirement & Aging  
hor I was referred, a majority being  
ent g, has carefully considered the  
e and recommend that it do ☒ pass.

*[Handwritten signature]*  
The Committee

PASSED 2nd & 3rd READINGS

42-0 VV  
JUN 24 2010

ORDERED SENT BY SPECIAL MESSENGER  
HOUSE OF REPRESENTATIVE

*[Handwritten signature]*

RECEIVED

JUN 24 2010

1:50 pm sw

PASSED 1st READING

JUN 24 2010

AND REFERRED TO COMMITTEE

ON *Insurance*

*if Fav Appropriation*

The Committee on *Insurance*  
a majority being present, having considered  
this bill, recommend that it do ☒ pass.

*Reps. Goforth & Wray*  
For the Committee

re-referred to Appropriation

Reported FAVORABLE TO COMMITTEE  
~~UNFAVORABLE TO COMMITTEE~~

JUN 29 2010

AND PLACED ON  
CALENDAR FOR

*re-referred Appropri.*

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND RETIREMENT.

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☐ Committee Substitute for

**SB 1392**

A BILL TO BE ENTITLED AN ACT TO ALLOW STATE EMPLOYEES TO ENROLL CHILDREN FOR WHICH THEY ARE COURT-APPOINTED GUARDIANS AS DEPENDENTS IN THE NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES.

☒ With a favorable report.

**(FOR JOURNAL USE ONLY)**

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\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of \_\_\_\_\_.

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

2

HOUSE BILL 1778\*

Senate Pensions & Retirement & Aging Committee Substitute Adopted 7/1/10

Short Title: Charter School/Retirement SHP Election. (Public)

Sponsors:

Referred to:

May 19, 2010

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE BREVARD ACADEMY, AN EXISTING CHARTER SCHOOL, TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES; AND TO AUTHORIZE STERLING MONTESSORI ACADEMY AND CHARTER SCHOOL TO ELECT TO PARTICIPATE IN THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES.

The General Assembly of North Carolina enacts:

**SECTION 1.** Notwithstanding the time limitations contained in G.S. 135-5.3 and G.S. 135-45.5, the Board of Directors of Brevard Academy, a charter school located in Brevard, may elect to become a participating employer in the Teachers' and State Employees' Retirement System in accordance with Article 1 of Chapter 135 of the General Statutes and may also elect to become a participating employing unit in the State Health Plan for Teachers and State Employees in accordance with Article 3A of Chapter 135 of the General Statutes. The elections authorized by this section shall be made no later than 30 days after the effective date of this act and shall be made in accordance with all other requirements of G.S. 135-5.3 and G.S. 135-45.5.

**SECTION 2.** Notwithstanding the time limitation contained in G.S. 135-45.5, the Board of Directors of Sterling Montessori Academy and Charter School, located in Morrisville, may elect to become a participating employing unit in the State Health Plan for Teachers and State Employees in accordance with Article 3A of Chapter 135 of the General Statutes. The election authorized by this section shall be made no later than 30 days after the effective date of this act and shall be made in accordance with all other requirements of G.S. 135-45.5.

**SECTION 3.** This act is effective when it becomes law.



\* H 1 7 7 8 - V - 2 \*





# HOUSE BILL 1778: Charter School/Retirement SHP Election

2009-2010 General Assembly

**Committee:** House Pensions and Retirement  
**Introduced by:** Rep. Guice  
**Analysis of:** Second Edition

**Date:** July 7, 2010  
**Prepared by:** Karen Cochran-Brown  
Committee Counsel

**SUMMARY:** *House Bill 1778 authorizes participation in the Teachers' and State Employees' Retirement System and the State Health Plan if the Board of Directors of the Brevard Academy elect to participate; and authorizes participation in the State Health Plan if the Board of Directors of the Sterling Montessori Academy and Charter School elect to participate.*

[As introduced, this bill was identical to S1256, as introduced by Sen. Snow, which is currently in Senate Pensions & Retirement & Aging.]

## CURRENT LAW:

G.S. 135-5.3 outlines provisions for charter schools operated by private nonprofit corporations to participate in the Teachers' and State Employees' Retirement System. G.S. 135-5.3(b) provides that no later than 30 days after both parties have signed the written charter, the board of directors of a charter school operated by a private nonprofit corporation shall elect whether to become a participating employer in the Teachers' and State Employees' Retirement System. The election shall be in writing and filed with the Retirement System and the State Board of Education and is effective for each charter school employee as of the date of that employee's entry into eligible service.

G.S. 135-45.5 outlines provisions for charter schools operated by private nonprofit corporations to participate in the State Health Plan. G.S. 135-45.5(b) provides that no later than 30 days after both parties have signed the written charter, the board of directors of a charter school operated by a private nonprofit corporation shall elect whether to become a participating employer in the Plan. The election shall be in writing and filed with the Executive Administrator, the Board of Trustees, and the State Board of Education and is effective for each charter school employee as of the date of that employee's entry into eligible service.

## BILL ANALYSIS:

Senate Bill 1256 allows the Board of Directors of the Brevard Academy, a charter school, to elect to participate in the Teachers' and State Employees' Retirement System and the State Health Plan for Teachers and State Employees. The election to participate must take place within 30 days of the effective date of the act.

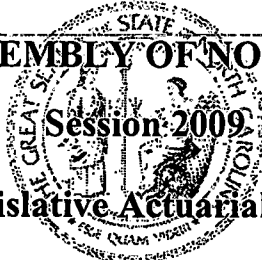
Section 2 of the bill allows the Board of Directors of Sterling Montessori Academy and Charter School to elect to participate in the State Health Plan for Teachers and State Employees. Sterling Montessori Academy and Charter School is located in Morrisville. The election to participate must take place within 30 days of the effective date of the act.

**EFFECTIVE DATE:** This act is effective when it becomes law.

*Theresa Matula, staff to Senate Pension, Retirement, & Aging, substantially contributed to this summary.*

H1778-SMRO-188(e2) v1

# GENERAL ASSEMBLY OF NORTH CAROLINA



## Legislative Actuarial Note

### HEALTH BENEFITS

**BILL NUMBER:** House Bill 1778 (Second Edition)

**SHORT TITLE:** Charter School/Retirement SHP Election.

**SPONSOR(S):**

**SYSTEM OR PROGRAM AFFECTED:** State Health Plan for Teachers and State Employees (Plan).

**FUNDS AFFECTED:** State General Fund, State Highway Fund, other State employer receipts; premium payments for dependents of active employees and retired employees of State agencies and universities, local public schools and local community colleges; premium payments for coverages selected by eligible former employees; premium payments for coverages selected by firefighters, rescue squad workers, members of the National Guard, and certain authorized local governments.

#### **BILL SUMMARY:**

Section 1 of the bill permits the Board of Directors of Brevard Academy, a public charter school, to become a participating employer under the Plan within 30 days after the act becomes law. Under G.S. 135-45.5, an election to join the Plan by the board of a charter school is irrevocable and shall require all eligible employees of the charter school to participate.

Section 2 of the bill permits the Board of Directors of Sterling Montessori Academy and Charter School, a public charter school, to become a participating employer under the Plan within 30 days after the act becomes law. Under G.S. 135-45.5, an election to join the Plan by the board of a charter school is irrevocable and shall require all eligible employees of the charter school to participate.

**EFFECTIVE DATE:** When it becomes law.

#### **ESTIMATED IMPACT ON STATE:**

The consulting actuary for the State Health Plan for Teachers and State Employees, Aon Consulting, estimates a financial loss to the Plan of \$236,800 for FY 2010-2011 if Brevard Academy and Sterling Montessori schools both elect to participate in the Plan. Aon Consulting noted that by solely comparing the Plan's current plan member demographic data and the combined schools' submitted employee and dependent demographic data, an estimated 6% less in claims, on average, could be expected from the combined schools' groups as compared to the Plan's covered group. However, without historical claims experience data from either school, Aon Consulting notes that there is no basis to determine the potential for adverse selection by either school's group against the Plan and thereby possibly increasing the risk of higher claims costs to the Plan. Therefore, for the purposes of estimating the combined schools' potential cost impact to the Plan, Aon Consulting assumed the claims would be greater on average due to adverse selection with a projected loss ratio of 151% of claims to premiums.

Hartman & Associates, consulting actuary for the General Assembly's Fiscal Research Division, estimates that the financial impact on the Plan would not be material upon Brevard Academy and Sterling Montessori

electing to participate in the Plan. Hartman and Associates noted that the employee and dependent demographics of the combined schools' groups compare similarly to current plan member demographics for the Plan, and that given the minimal number of prospective employees to be enrolled, there is not expected to be a significant financial impact as a percent of total claims. Hartman & Associates, however, also noted the lack of historical claims experience from which to make a more accurate estimate of impact.

The additional cost impact of the bill, projected by either consulting actuary, would be expected to impact total claims growth by approximately nine thousandths of one percent (0.009%) for the 2010-2011 fiscal year based on the highest estimate of additional cost (i.e., \$236,800).

**ASSUMPTIONS AND METHODOLOGY:** The actuarial analyses used by each respective consulting actuary are on file with the Fiscal Research Division. Copies of each respective consulting actuary's analysis, including assumptions, are also attached to the original copy of this Legislative Actuarial note.

Authorized Charter Schools: As of December 2009, there are 54 charter schools with 3,286 enrolled active employees and dependents participating in the Plan.

Data submitted by the Schools: Aon Consulting and Hartman and Associates based their respective analyses in part on a Distribution of Participants schedule submitted by each school. The schedules below reflect the age and sex demographic data for employees and dependents for each of the respective schools. Neither school provided claims experience data due to a refusal of their respective incumbent carriers to release claims information on each School's participants.

Distribution of Participants - Brevard Academy												
Ages	Active Employees			Dependents of Active Employees			Retired Employees			Dependents of Retired Employees		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-4			0			0			0			0
5-9			0	1		1			0			0
10-14			0	1	1	2			0			0
15-19			0			0			0			0
20-24		1	1			0			0			0
25-29		3	3			0			0			0
30-34	1	2	3			0			0			0
35-39		1	1			0			0			0
40-44		3	3	1		1			0			0
45-49		2	2			0			0			0
50-54		1	1			0			0			0
55-59		2	2			0			0			0
60-64		1	1			0			0			0
65-69			0			0			0			0
70-74			0			0			0			0
75-79			0			0			0			0
>79			0			0			0			0
Unknown			0			0			0			0
TOTAL	1	16	17	3	1	4	0	0	0	0	0	0

Distribution of Participants -- Sterling Montessori												
	Active Employees			Dependents of Active EE's			Retired Employees			Dependents of Retired EE's		
Ages	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-4	0	0	0	0	2	2	0	0	0	0	0	0
5-9	0	0	0	2	1	3	0	0	0	0	0	0
10-14	0	0	0	2	3	5	0	0	0	0	0	0
15-19	0	0	0	2	3	5	0	0	0	0	0	0
20-24	0	2	2	2	2	4	0	0	0	0	0	0
25-29	0	1	1	0	0	0	0	0	0	0	0	0
30-34	2	11	13	0	1	1	0	0	0	0	0	0
35-39	2	7	9	0	0	0	0	0	0	0	0	0
40-44	1	17	18	0	1	1	0	0	0	0	0	0
45-49	2	6	8	0	1	1	0	0	0	0	0	0
50-54	0	8	8	1	0	1	0	0	0	0	0	0
55-59	1	3	4	1	0	1	0	0	0	0	0	0
60-64	1	0	1	0	0	0	0	0	0	0	0	0
65-69	0	1	1	0	0	0	0	0	0	0	0	0
70-74	0	0	0	0	0	0	0	0	0	0	0	0
75-79	0	0	0	0	0	0	0	0	0	0	0	0
>79	0	0	0	0	0	0	0	0	0	0	0	0
Unknown	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	9	56	65	10	14	24	0	0	0	0	0	0

### Summary Information and Data about the Plan

The Plan administers health benefit coverage for active employees from employing units of State agencies and departments, universities, local public schools, and local community colleges. Eligible retired employees of authorized employing units may also access health benefit coverage under the Plan. Eligible dependents of active and retired employees are authorized to participate in the Plan provided they meet certain requirements. Employees and retired employees of selected local governments may also participate in the Plan under certain conditions. Members of fire, rescue squads, and the National Guard may also obtain coverage under the Plan provided they meet certain eligibility criteria.

As of July 1, 2009, the State finances the Plan on a self-funded basis and administers benefit coverage under a Preferred Provider Option (PPO) arrangement. The Plan's receipts are derived through premium contributions, investment earnings and other receipts. Premiums for health benefit coverage are paid by (1) employing agencies for active employees, (2) the Retiree Health Benefit Fund for retired employees, and (3) employees and retirees who elect dependent coverage. Total *revised* requirements for the Plan are estimated to be \$2.55 billion for FY 2009-10 and \$2.74 billion for FY 2010-11. The Plan's PPO benefit design includes two alternative benefit levels listed below:

- 1) The "Basic" 70/30 plan that offers higher out-of pocket requirements in return for lower fully contributory dependent premiums; and
- 2) The "Standard" 80/20 plan.

The Basic and Standard plans offer coverage to employees and retired employees on a noncontributory basis. Coverage for dependents under both plans is offered on a fully contributory basis.

### Financial Condition

**Revised Financial Projection 2009-11 Biennium** – The following summarizes a revised financial projection be conducted by the Plan's consulting actuary, Aon Consulting, for the 2009-11 biennium. The

information is provided by fiscal year based on year-to-date financial experience (through March 2010) and other updated factors.

For the fiscal year beginning July 1, 2009, the Plan began its operations with a beginning cash balance of \$189.9 million. Receipts for the year are projected to be \$2.41 billion from net premium collections, \$74.4 million from Medicare Part D subsidies, and \$3.4 million from investment earnings for a total of approximately \$2.49 billion in receipt income for the year. Projected disbursements from the Plan are expected to be \$2.39 billion in net claim-payment expenses and \$164.1 million in administration and claims-processing expenses for projected total expenses of nearly \$2.55 billion for FY 2009-10. The Plan's net operating loss is projected to be approximately \$66.3 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2009.

For the fiscal year beginning July 1, 2010, the Plan is projected to begin its operations with a beginning cash balance of \$123.6 million. Receipts for the year are projected to be \$2.68 billion from net premium collections, \$56.1 million from Medicare Part D subsidies, and \$2.7 million from investment earnings for a total of approximately \$2.73 billion in receipt income for the year. Projected disbursements from the Plan are expected to be \$2.55 billion in net claim-payment expenses and \$191.7 million in administration and claims-processing expenses for projected total expenses of nearly \$2.74 billion for FY 2010-11. The Plan's net operating loss is projected to be approximately \$7.1 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2010.

Based on the revised financial projection (May 2010), the Plan's estimated ending cash balance on June 30, 2011 is projected to be \$116.5 million. This amount is approximately \$75.7 million less than the originally projected (April 2009) ending cash balance of \$192.2 million.

**Original Financial Projection 2009-11 Biennium (April 2009)** – Session Law 2009-16 (Senate Bill 287) appropriated funds from various sources, authorized annual premium rate increases, made various benefit and provider related changes to achieve financial savings, and directed other various changes to the Plan. The enacted law also appropriated the sum of \$250 million from the Savings Reserve Account ("Rainy Day Fund") of the General Fund for the 2008-09 fiscal year. The following summarizes the original financial projection to be conducted by the Plan's consulting actuary, Aon Consulting, for the 2009-11 biennium. The following summarizes the original financial projection by fiscal year for the 2009-11 biennium and assumes the changes enacted in Session Law 2009-16 (Senate Bill 287).

For the fiscal year beginning July 1, 2009, the Plan was projected to begin its operations with a beginning cash balance of \$146.9 million. Receipts for the year were projected to be \$2.4 billion from net premium collections, \$56.3 million from Medicare Part D subsidies, and \$8.0 million from investment earnings for a total of approximately \$2.5 billion in receipt income for the year. Projected disbursements from the Plan were expected to be \$2.3 billion in net claim-payment expenses and \$185.6 million in administration and claims-processing expenses for projected total expenses of nearly \$2.5 billion for FY 2009-10. The Plan's net operating income was projected to be approximately \$14.8 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2009.

For the fiscal year beginning July 1, 2010, the Plan was projected to begin its operations with a beginning cash balance of \$161.6 million. Receipts for the year were projected to be \$2.7 billion from net premium collections, \$50.4 million from Medicare Part D subsidies, and \$8.8 million from investment earnings for a total of approximately \$2.7 billion in receipt income for the year. Projected disbursements from the Plan were expected to be \$2.5 billion in net claim-payment expenses and \$191.7 million in administration and claims-processing expenses for projected total expenses of nearly \$2.7 billion for FY 2010-11. The Plan's net operating income was projected to be approximately \$30.6 million for the fiscal year, assuming a 9% annual claims growth trend and an annual premium increase of 8.9% effective July 1, 2010.

## Other Information

Historically, the Plan has applied a premium increase in October of the first fiscal year of a biennium. However, the annual premium increases authorized in Session Law 2009-16 (Senate Bill 287) changes that methodology to an annual increase at the beginning of each fiscal year of the 2009-11 biennium.

Additional assumptions include Medicare benefit "carve-outs," cost containment strategies including prior approval for certain medical services, utilization of the "Blue Options" provider network, case and disease management for selected medical conditions, mental health case management, coordination of benefits with other payers, a prescription drug benefit manager with manufacturer rebates from formularies, and fraud detection, and other authorized actions by the Executive Administrator and Board of Trustees to manage the Plan to maintain and improve the Plan's operation and financial condition where possible. Claim cost trends are expected to increase at a rate of 9% annually according to the Plan's consulting actuary. Investment earnings are based upon a 4.5% return on available cash balances.

## Enrollment as of December 31, 2009

I. No. of Participants	Basic	Standard	Total	Percent of Total
Actives				
Employees	13,830	307,541	321,371	48.6%
Dependents	24,593	135,563	160,156	24.2%
Sub-total	38,423	443,104	481,527	72.8%
Retired				
Employees	2,074	151,395	153,469	23.2%
Dependents	1,313	18,075	19,388	2.9%
Sub-total	3,387	169,470	172,857	26.1%
Former Employees with				
Continuation Coverage				
Employees	121	3,120	3,241	0.5%
Dependents	87	749	836	0.1%
Sub-total	208	3,869	4,077	0.6%
Firefighters, Rescue Squad &				
National Guard				
Employees	-	5	5	0.0%
Dependents	-	3	3	0.0%
Sub-total	-	8	8	0.0%
Local Governments				
Employees	91	1,829	1,920	0.3%
Dependents	174	777	951	0.1%
Sub-total	265	2,606	2,871	0.4%
Total				
Employees	16,116	463,885	480,001	72.6%
Dependents	26,167	155,164	181,331	27.4%
Grand Total	42,283	619,049	661,332	100%
Percent of Total	6.4%	93.6%	100.0%	

<b>II. Enrollment by Contract</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Employee Only	3,252	378,539	381,791
Employee Child(ren)	6,026	43,820	49,846
Employee Spouse	2,550	21,785	24,335
Employee Family	4,288	19,741	24,029
<b>Total</b>	<b>16,116</b>	<b>463,885</b>	<b>480,001</b>

<b>Percent Enrollment by Contract</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Employee Only	20.2%	81.6%	79.5%
Employee Child(ren)	37.4%	9.4%	10.4%
Employee Spouse	15.8%	4.7%	5.1%
Employee Family	26.6%	4.3%	5.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>III. Enrollment by Sex</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Female	22,479	390,209	412,688
Male	19,804	228,840	248,644
<b>Total</b>	<b>42,283</b>	<b>619,049</b>	<b>661,332</b>

<b>Percent Enrollment by Sex</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
Female	53.2%	63.0%	62.4%
Male	46.8%	37.0%	37.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>IV. Enrollment by Age</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
19 & Under	17,315	95,431	112,746
20 to 29	3,311	57,142	60,453
30 to 44	9,555	120,292	129,847
45 to 54	6,455	108,447	114,902
55 to 64	4,090	128,933	133,023
65 & Over	1,557	108,804	110,361
<b>Total</b>	<b>42,283</b>	<b>619,049</b>	<b>661,332</b>

<b>Percent Enrollment by Age</b>	<b>Basic</b>	<b>Standard</b>	<b>Total</b>
19 & Under	41.0%	15.4%	17.0%
20 to 29	7.8%	9.2%	9.1%
30 to 44	22.6%	19.4%	19.6%
45 to 54	15.3%	17.5%	17.4%
55 to 64	9.7%	20.8%	20.1%
65 & Over	3.7%	17.6%	16.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>V. Retiree Enrollment by Category</b>	<b>Employee</b>	<b>Dependents</b>	<b>Total</b>
Non-Medicare Eligible	51,747	11,879	63,626
Medicare Eligible	101,722	7,509	109,231
<b>Total</b>	<b>153,469</b>	<b>19,388</b>	<b>172,857</b>

<b>VI. Enrollment By Major Employer Groups</b>	<b>Employees</b>	<b>Dependents</b>	<b>Total</b>
State Agencies	75,367	34,645	110,012
UNC System	50,106	29,726	79,832
Local Public Schools	181,270	88,258	269,528
Local Community Colleges	14,623	7,524	22,147
Other			
Local Governments	1,920	951	2,871
COBRA	3,241	836	4,077
Nat. Guard, Fire & Rescue	5	3	8
Sub-total	5,166	1,790	6,956
Retirement System	153,469	19,388	172,857
<b>Total</b>	<b>480,001</b>	<b>181,331</b>	<b>661,332</b>

<b>Percent Enrollment by Major Employer Groups</b>	<b>Employees</b>	<b>Dependents</b>	<b>Total</b>
State Agencies	15.7%	19.1%	16.6%
UNC System	10.4%	16.4%	12.1%
Local Public Schools	37.8%	48.7%	40.8%
Local Community Colleges	3.0%	4.1%	3.3%
Other			
Local Governments	0.4%	0.5%	0.4%
COBRA	0.7%	0.5%	0.6%
Nat. Guard, Fire & Rescue	0.0%	0.0%	0.0%
Sub-total	1.1%	1.0%	1.1%
Retirement System	32.0%	10.7%	26.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



## **SOURCES OF DATA:**

-Actuarial Note, Hartman & Associates, "House Bill 1778 Proposed Committee Substitute (H1778-CSRO-123 [v.1]): An Act to Authorize Brevard Academy and Sterling Montessori Academy to Elect to Participate in the State Health Plan for Teachers and State Employees", July 1, 2010, an original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, "House Bill 1778 Proposed Committee Substitute H1778-CSRO-123 [v.1] Charter School/Retirement SHP Election", July 1, 2010, an original of which is on file with the State Health Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

**FISCAL RESEARCH DIVISION: (919) 733-4910**

**PREPARED BY:** Mark Trogon

**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division

**DATE:** July 6, 2010



**Signed Copy Located in the NCGA Principal Clerk's Offices**

**NORTH CAROLINA STATE HEALTH PLAN  
FOR TEACHERS AND STATE EMPLOYEES**

**HOUSE BILL 1778  
PROPOSED SENATE COMMITTEE SUBSTITUTE  
H1778-CSRO-123 [V.1]**

**CHARTER SCHOOL/RETIREMENT SHP ELECTION**

**Prepared by:**

**Aon Consulting  
One Piedmont Center  
3565 Piedmont Road, N.E.  
Atlanta, Georgia 30305**

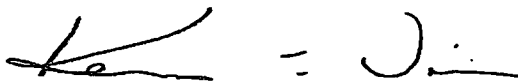
**July 2010**

## ACTUARIAL STATEMENT

The North Carolina State Health Plan for Teachers and State Employees has requested that Aon Consulting prepare an Actuarial Note in response to House Bill 1778 Proposed Senate Committee Substitute H1778-CSRO-123[v.1] entitled "An Act To Authorize Brevard Academy, An Existing Charter School, To Elect To Participate In The Teachers And State Employees Retirement System And The State Health Plan For Teachers And State Employees; And To Authorize Sterling Montessori Academy And Charter School To Elect To Participate In The State Health Plan For Teachers And State Employees."

The Actuarial Note was prepared according to generally accepted actuarial principles and practices, in compliance with General Statute 120-114. As required by statute, the Note includes an explanatory statement of the proposed change(s) and, to the extent possible, an estimate of the financial and actuarial effect of the proposed change(s) on the Plan. The Actuarial Note makes no comment or opinion with regard to the merits of the measure for which the Note is prepared; however, any identified technical or mechanical defects have been noted.

We have reviewed the input and results of our analysis for reasonableness, and relied upon the data and information provided by the Plan and their Claims Processing Contractor.



Kenneth C. Vieira, F.S.A., M.A.A.A.  
Senior Vice President

July 1, 2010  
Date



Kirsten R. Schatten, A.S.A., M.A.A.A.  
Assistant Vice President

July 1, 2010  
Date

## **OPTIONAL PLAN COVERAGE FOR BREVARD ACADEMY AND STERLING MONTESSORI ACADEMY**

### **PLAN CHANGES**

The General Assembly of North Carolina enacts:

**SECTION 1.** Notwithstanding the time limitation contained in G.S. 135-5.3 and G.S. 135-45.5, the Board of Directors of Brevard Academy, a charter school located in Brevard, may elect to become a participating employer in the Teachers and State Employees Retirement System in accordance with Article 1 of Chapter 135 of the General Statutes and may also elect to become a participating employing unit in the State Health Plan for Teachers

and State Employees in accordance with Article 3A of Chapter 135. The elections authorized

by this section shall be made no later than 30 days after the effective date of this act and shall be made in accordance with all other requirements of G.S. 135-5.3 and G.S. 135-45.5.

**SECTION 2.** Notwithstanding the time limitation contained in G.S. 135-45.5, the Board of Directors of Sterling Montessori Academy and Charter School, located in Morrisville, may elect to become a participating employing unit in the State Health Plan for Teachers and State Employees in accordance with Article 3A of Chapter 135. The election authorized by this section shall be made no later than 30 days after the effective date of this act and shall be made in accordance with all other requirements of G.S. 135-45.5.

**SECTION 3.** This act is effective when it becomes law.

### **PROJECTED COSTS/SAVINGS**

<b>Plan Design Change</b>	<b>Projected Costs/Savings</b>
Brevard Academy And Sterling Montessori Academy Authorized to Participate in Plan Optional Coverage	Estimated FY11 Cost: \$236,800

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## **PRICING APPROACH AND COMMENTS**

The following information was compiled and utilized in determining the projected costs or savings for each benefit component addressed in this actuarial note:

- A census report was received from Fiscal Research that shows a distribution of the Brevard Academy and Sterling Montessori Academy dependents and retirees by age and gender. The membership levels were compared to those in the State Health Plan. The results showed that the members would produce claims that were 6% less than those expected by the average SHP membership. These calculations were based solely on the submitted age and sex distributions and have no relationship to the actual claims experience of the Brevard Academy and Sterling Montessori Academy.
- The only additional cost to the plan for covering these employees would be the cost of any excess risk for these members. That would result in potential losses to the plan, where claims and expenses exceed collected premiums.
- No experience data was received for Brevard Academy or Sterling Montessori Academy. If these groups, currently not participating in the State Health Plan, are made eligible, it is very likely that the group will have "adverse selection". Claims factors for these types of risk typically range from 125-200% of expected Plan costs, with some instances being as high as 300%. With a 150% assumed adverse selection, in combination with a 94% age/sex factor, we would expect a loss ratio of 141%. Adding expenses would put the loss ratio at approximately 152%.
- There are currently 82 employees and retirees participating in the Brevard Academy and Sterling Montessori Academy Plans. Assuming the same membership patterns as current, we would expect 110 total members. With an average cost of \$4,140 per member, we expect a cost of  $110 \times \$4,140 \times 52\%$  or about \$236,800. Due to the size of this group, varied assumptions would have negligible impact on the plan.

# HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

hartman@triad.rr.com

Phone: (336) 731-4038  
Fax: (336) 731-2583

668 Link Road  
Lexington, NC 27295

July 1, 2010

Mr. Mark Trogon  
Fiscal Research Division  
North Carolina General Assembly  
300 N. Salisbury Street  
Raleigh, NC 27603-5925

Re: House Bill 1778 Proposed Senate Committee Substitute (H1778-CSRO-123 [v.1]): An Act to Authorize Brevard Academy and Sterling Montessori Academy to Elect to Participate in the State Health Plan for Teachers and State Employees

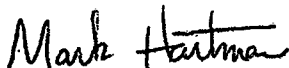
Dear Mr. Trogon:

This proposed committee substitute to the bill provides an opportunity for two existing charter schools, Brevard Academy and Sterling Montessori Academy and Charter School, to elect to participate in the North Carolina State Health Plan for Teachers and State Employees. Currently, G.S. 135-45.5 provides that the Board of Directors of each charter school must make an irrevocable election to join the Plan, and if elected, all employees of the charter school are required to participate. The election must be made within 30 days after the date the charter is signed. This bill would provide an additional opportunity for these specific schools to elect to participate in the Plan if the election is made no later than 30 days after the effective date of this act. This act is effective when it becomes law.

The charter school employees would be subject to the same benefit provisions and contribution rates as current Plan members. I reviewed the census data for 17 active employees and 4 dependents of Brevard Academy and 65 active employees and 24 dependents of Sterling Montessori Academy. The demographics for each school show similar expected costs to those under the Plan. We do not have prior claims experience of either group to compare to Plan experience. However, given the number of potential members and the demographic data, I do not expect this bill to have a material impact on the Plan.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, FCA, EA  
Consulting Actuary

MVH/mt

**2009 COMMITTEE REPORT  
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative Tucker (Chair) for the Committee on PENSIONS AND  
RETIREMENT.

☒ Senate Committee Substitute for

**HB 1778**

A BILL TO BE ENTITLED AN ACT TO AUTHORIZE BREVARD ACADEMY, AN EXISTING CHARTER SCHOOL, TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES; AND TO AUTHORIZE STERLING MONTESSORI ACADEMY AND CHARTER SCHOOL TO ELECT TO PARTICIPATE IN THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES.

☒ With recommendation that the House concur.

**(FOR JOURNAL USE ONLY)**

\_\_\_\_\_ Pursuant to Rule 32(a), the bill/resolution is re-referred to the Committee on \_\_\_\_\_.

\_\_\_\_\_ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of \_\_\_\_\_.

# PUBLIC BILL

*Pens. Ret. Aging*  
Senate Committee Substitute for  
H.B. 1778  
S-1256

SESSION LAW \_\_\_\_\_

## A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE BREVARD ACADEMY, AN EXISTING CHARTER SCHOOL, TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES; AND TO AUTHORIZE STERLING MONTESSORI ACADEMY AND CHARTER SCHOOL TO ELECT TO PARTICIPATE IN THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES.

Introduced by Representative(s): *Guice*

For a complete list of cosponsors for this bill, please see the report inside the bill jacket.

1 Clerk's Use Only

RECEIVED FOR CONCURRENCE IN
House Comm. Sub. _____
House Amendment _____
JUL 1 2010

CHANGES TITLE

*Senate*

Committee Substitute  
Adopted  
Pursuant to Rule 45.1

JUL - 1 2010

CHANGES TITLE

PLACED ON CALENDAR FOR

*1-6-10*

Note Attached JUL 6 2010

Passed 2d & 3d Readings
48-0 UD
JUL - 6 2010
AND ORDERED SENT TO HOUSE OF REPS. Concurrence To Senate Amendment

BY SPECIAL MESSENGER

*Comm Sub*  
*Janet Pruitt*

RECEIVED

JUL 06 2010

*2:38pm sw*

Rec'd for Concurrence in Sen. Amd./C.S. _____
JUL 06 2010
Referred to Com. <i>Pensions &amp; Ret.</i>
TITLE CHANGE

*upon concurrence*



HOUSE PAGES

NAME OF COMMITTEE PENSION & RETIRE. DATE 7-7-10

1. Name: Cameron Perry

County: Camden

Sponsor: Wainwright

2. Name: Preston Ferguson

County: Chatham

Sponsor: Fisher

3. Name: Cameron Skidmore

County: Stanly

Sponsor: Justin Burr

4. Name: Alazzia Hastu

County: Northampton

Sponsor: Hackney

5. Name: \_\_\_\_\_

County: \_\_\_\_\_

Sponsor: \_\_\_\_\_

SGT-AT-ARM

1. Name: Reggie Sills

2. Name: Mike Martin

3. Name: \_\_\_\_\_

4. Name: \_\_\_\_\_

## VISITOR REGISTRATION SHEET

## PENSIONS AND RETIREMENT

JULY 7, 2010

**Name of Committee****Date**

**VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK**

NAME

**FIRM OR AGENCY AND ADDRESS**

Keith T. Barber

# YES! Weekly

Joseph Peelle

McKissick

Julie Hochstein

DST

Sherron McCoy

# Nationwide

*Charles S. S.*

## VISITOR REGISTRATION SHEET

Pensions & Retirement  
Name of Committee

July 7, 2010  
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Marge Freeman	NCAE
Kay Emanuel	UNC Institute of Government
Julian	Bone & Assoc.
Ed Leonard	SEANC

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