2009-2010

SENATE
PENSIONS &
RETIREMENT & AGING

MINUTES

Senate Pensions & Retirement & Aging Membership List

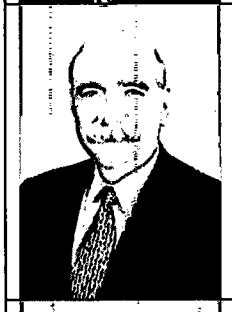
Chairman	Tony Foriest (Alamance)
Counties:	Alamance, Caswell
District:	24
Office:	Rm. 332 Legislative Office Building
Phone:	(919) 301-1446
Email:	Tony.Foriest@ncleg.net
Assistant:	Jackie Ray

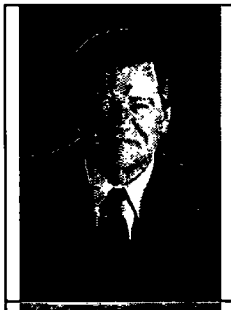
Vice Chairman	Linda Garrou (Forsyth)
Counties:	Forsyth
District:	32
Office:	Rm. 627 Legislative Office Building
Phone:	(919) 733-5620
Email:	Linda.Garrou@ncleg.net
Assistant:	Gail Bishop, Andrew Dugan

Member	Charles W. Albertson (Duplin)
Counties:	Duplin, Lenoir, Sampson
District:	10
Office:	Rm. 525 Legislative Office Building
Phone:	(919) 733-5705
Email:	Charlie.Albertson@ncleg.net
Assistant:	Cindy Davis, Steve Webb

Member	Stan Bingham (Davidson)
Counties:	Davidson, Guilford
District:	33
Office:	Rm. 2117 Legislative Building
Phone:	(919) 733-5665
Email:	Stan.Bingham@ncleg.net
Assistant:	Judy Chriscoe

Member	Joe Sam Queen (Haywood)
Counties:	Avery, Haywood, Madison, McDowell, Mitchell, Yancey
District:	47
Office:	Rm. 1117 Legislative Building
Phone:	(919) 733-3460
Email:	Joe.Queen@ncleg.net
Assistant:	Sara Sheppard

	Member	Bob Atwater (Chatham)
	Counties:	Chatham, Durham, Lee
	District:	18
	Office:	Rm. 312 Legislative Office Building
	Phone:	(919) 715-3036
	Email:	Bob.Atwater@ncleg.net
	Assistant:	Carol Resar
	Member	Daniel G. Clodfelter (Mecklenburg)
	Counties:	Mecklenburg
	District:	37
	Office:	Rm. 408 Legislative Office Building
	Phone:	(919) 715-8331
	Email:	Daniel.Clodfelter@ncleg.net
	Assistant:	Jessica Schmidt, Wanda Joyner
	Member	Katie G. Dorsett (Guilford)
	Counties:	Guilford
	District:	28
	Office:	Rm. 2106 Legislative Building
	Phone:	(919) 715-3042
	Email:	Katie.Dorsett@ncleg.net
	Assistant:	Phyllis Cameron, Sherry Pearson
	Member	Don East (Surry)
	Counties:	Alleghany, Stokes, Surry, Yadkin
	District:	30
	Office:	Rm. 1120 Legislative Building
	Phone:	(919) 733-5743
	Email:	Don.East@ncleg.net
	Assistant:	Anne Misenheimer
	Member	Clark Jenkins (Edgecombe)
	Counties:	Edgecombe, Martin, Pitt
	District:	3
	Office:	Rm. 308 Legislative Office Building
	Phone:	(919) 715-3040
	Email:	Clark.Jenkins@ncleg.net
	Assistant:	Carolyn Gooden
	Member	Vernon Malone (Wake)
	Counties:	Wake
	District:	13
	Office:	Rm. 314 Legislative Office Building
	Phone:	(919) 733-5880
	Email:	Vernon.Malone@ncleg.net
	Assistant:	Bonnie McNeil, Amber Harris

	Member	Martin L. Nesbitt, Jr. (Buncombe)
	Counties:	Buncombe
	District:	49
	Office:	Rm. 300- Legislative Office Building
	Phone:	(919) 715-3001
	Email:	Martin.Nesbitt@ncleg.net
	Assistant:	Jan Lee, Claudette Parrish, Jessica Bennett
	Member	Jean Preston (Carteret)
	Counties:	Carteret, Craven, Pamlico
	District:	2
	Office:	Rm. 1121 Legislative Building
	Phone:	(919) 733-5706
	Email:	Jean.Preston@ncleg.net
	Assistant:	Suzanne Castleberry
	Member	William R. Purcell (Scotland)
	Counties:	Anson, Richmond, Scotland, Stanly
	District:	25
	Office:	Rm. 625 Legislative Office Building
	Phone:	(919) 733-5953
	Email:	William.Purcell@ncleg.net
	Assistant:	Becky Hedspeth
	Member	Richard Stevens (Wake)
	Counties:	Wake
	District:	17
	Office:	Rm. 406 Legislative Office Building
	Phone:	(919) 733-5653
	Email:	Richard.Stevens@ncleg.net
	Assistant:	Mary Marchman, Jessica Schmidt
	Member	A. B. Swindell (Nash)
	Counties:	Nash, Wilson
	District:	11
	Office:	Rm. 629 Legislative Office Building
	Phone:	(919) 715-3030
	Email:	AB.Swindell@ncleg.net
	Assistant:	Mo Hudson, Jesica Macaluso

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE

2009-2010 Session

Staff Listing

Fiscal Research Division

Marshall Barnes
Stanley Moore
Mark Trogdon

Research Division

Karen Cochrane-Brown
Teresa Matula

2009-2010 Biennium

Leg. Day: H-151/S-148

Bill	Introducer	Short Title		Latest Action	In Date	Out Date
H0094	Owens	CLARIFY DEFINITION OF RETIREMENT.	*SR	Ch. SL 2009-11	03-12-09	03-19-09
H0642	Tucker	RETIREMENT TECHNICAL CORRECTIONS.	*SR	Ch. SL 2009-66	05-20-09	05-27-09
H0816=	Cotham	CLARIFY LOCAL SPECIAL SEPARATION ALLOWANCE.	*SR	Ch. SL 2009-396	05-20-09	07-09-09
H1073	Lewis	FIRE AND RESCUE PENSION WITHDRAWAL CHANGE.	*SR	Ch. SL 2009-365	05-19-09	05-27-09
H1160	Wray	FIRE AND RESCUE PENSION FUND ADDITIONS.	*SR	Ch. SL 2009-567	07-23-09	08-04-09
H1221	Folwell	DEVELOP EMPLOYEE BENEFITS STATEMENT.	*SR	Ch. SL 2009-63	05-04-09	05-27-09
H1695	Rapp	REPEAL WAYNESVILLE FIREMEN'S SUPP. PENSION.	SR	Ch. SL 2010-43	06-14-10	06-16-10
H1778=	Guice	CHARTER SCHOOL/ RETIREMENT SHP ELECTION.	*S	Failed concur in S/Com Sub	06-28-10	07-01-10
H1934=	M. Alexander	AMEND CHARLOTTE FIREFIGHTERS' RETIREMENT.	*SR	Ch. SL 2010-7	06-14-10	06-16-10
H1935=	M. Alexander	MECKLENBURG LAW ENFORCE.CAP UPPED/ STIPEND	*SR	Ch. SL 2010-8	06-14-10	06-16-10
H1998	Haire	RECIPROCITY FOR ORP SERVICE.	SR	Ch. SL 2010-38	06-16-10	06-23-10
H2054	Tucker	RETIREMENT TECHNICAL CORRECTIONS.	*SR	Ch. SL 2010-72	06-15-10	06-23-10
H2055=	England	STATE HEALTH PLAN/ LOCAL GOVT RETIREE CONTRIB.	*S	Ref To Com On Pensions & Retirement & Aging	07-01-10	
H2066	Bryant	SPECIAL RETIREMENT ALLOWANCES.	*SR	Ch. SL 2010-124	07-07-10	07-07-10
S0034=	David W. Hoyle	INCREASE FIRE AND RESCUE BENEFITS.	S	Ref to Pensions, Retirement & Aging. If fav, re-ref to Appropriations/ Base Budget	02-04-09	
S0133	Tony Rand	REGISTERS OF DEEDS' PENSION.	*SR	Ch. SL 2009-576	02-12-09	05-07-09
$ S0202	**Linda Garrou**	**APPROPRIATIONS ACT OF 2009.**	***SR**	**Ch. SL 2009-451**	**04-07-09**	**04-07-09**
S0204=	William R. Purce	RETIRED NURSES RETURN TO WORK.	SR	Ch. SL 2009-137	02-18-09	03-19-09
S0389	Daniel G. Clodfe	HOUSING AUTHORITY RETIREMENT.	*SR	Ch. SL 2009-249	03-04-09	03-26-09
S0390=	Fletcher L. Hart	MIDLAND RETIREMENT.	*SR	Ch. SL 2009-148	03-04-09	03-26-09
S0411=	Peter S. Brunste	AMEND SURVIVOR'S ALTERNATE BENEFIT.	*SR	Ch. SL 2009-109	03-05-09	03-26-09
S0468	Floyd B. McKissi	AUTHORIZE INSURANCE FOR FORMER EMPLOYEES.	*SR	Ch. SL 2009-564	03-09-09	05-13-09
S0468	Floyd B. McKissi	AUTHORIZE INSURANCE FOR FORMER EMPLOYEES.	*SR	Ch. SL 2009-564	05-14-09	05-14-09

'$' 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.

2009-2010 Biennium

Leg. Day: H-151/S-148

Bill	Introducer	Short Title		Latest Action	In Date	Out Date
S0469	Floyd B. McKissi	JEANNE HOPKINS LUCAS ACT.	S	Ref To Com On Pensions & Retirement & Aging	03-09-09	
S0557=	Tony Foriest	REMOVE RESTRICTION/ LEO DISABILITY BENEFITS.	S	Ref To Com On Pensions & Retirement & Aging	03-12-09	
S0558	Tony Foriest	RETIREMENT SYSTEM COLAS.	*S	Ref To Com On Appropriations/ Base Budget	03-12-09	03-19-09
$ S0559=	**Tony Foriest**	**INCREASE FIRE AND RESCUE PENSION.**	**S**	**Re-ref Com On Appropriations/ Base Budget**	**03-12-09**	**03-19-09**
S0599	Daniel G. Clodfe	APPELLATE CLERKS IN JUDICIAL RETIRE. SYSTEM.	S	Ref to Pensions & Retirement & Aging. If fav, re-ref to Appropriations/ Base Budget	03-16-09	
S0624	Julia Boseman	25-YEAR LAW ENFORCEMENT RETIREMENT.	S	Ref to Pensions & Retirement & Aging. If fav, re-ref to Appropriations/ Base Budget	03-17-09	
S0645	Tony Foriest	RETIREMENT TECHNICAL CORRECTIONS.	*S	Re-ref Com On Appropriations/ Base Budget	03-18-09	05-07-09
S0658	Bob Atwater	MODIFY SUPP. RETIREMENT BOARD/ FURLOUGHS.	*SR	Ch. SL 2009-378	03-19-09	05-13-09
S0702	Tony Rand	EXTEND PHASED RETIREMENT PROGRAM EXEMPTION.	S	Ref To Com On Pensions & Retirement & Aging	03-24-09	
S0740=	Vernon Malone	FLEX. IN SETTING SALARY/COMM. COLL PRES.	*SR	Ch. SL 2010-113	04-08-09	05-13-09
S0863=	Philip E. Berger	PURCHASE SERVICE/ CERTAIN EMPLOYMENT.	*SR	Ch. SL 2009-392	03-26-09	04-22-09
S0908	Daniel G. Clodfe	FIRE AND RESCUE SEPARATION ALLOWANCES.	S	Ref To Com On Pensions & Retirement & Aging	03-26-09	
S0986=	Floyd B. McKissi	CLARIFY LOCAL SPECIAL SEPARATION ALLOWANCE.	*S	Re-ref Com On Pensions and Retirement	03-26-09	05-07-09
S1059=	Tony Foriest	PROVIDE COLAS FOR RETIREES.	S	Ref to Pensions & Retirement & Aging. If fav, re-ref to Appropriations/ Base Budget	03-31-09	
S1251=	Dan Blue	STATE HEALTH PLAN/ TREAT TEACHERS EQUITABLY.	*SR	Ch. SL 2010-136	05-20-10	06-16-10
S1256=	John Snow	BREVARD ACADEMY/ RETIREMENT ELECTION.	SR	Ch. SL 2010-137	05-20-10	06-16-10
S1256=	John Snow	BREVARD ACADEMY/	SR	Ch. SL 2010-137	07-06-10	07-09-10

'$' 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.

2009-2010 Biennium

Bill	Introducer	Short Title		Latest Action	In Date	Out Date
		RETIREMENT ELECTION.				
S1336=	Malcolm Graham	AMEND CHARLOTTE FIREFIGHTERS' RETIREMENT.	S	Ref To Com On Pensions & Retirement & Aging	05-20-10	
S1341	R. C. Soles, Jr.	AMEND JUDICIAL RETIREMENT SYSTEM.	S	Ref To Com On Pensions & Retirement & Aging	05-24-10	
S1346=	Joe Sam Queen	STATE HEALTH PLAN/ADD LOCAL GOVERNMENT.	S	Ref To Com On Pensions & Retirement & Aging	05-24-10	
S1356=	Steve Goss	INCREASE WILKESBORO FIREMEN'S PENSION.	SR	Ch. SL 2010-23	05-25-10	06-16-10
S1392=	Floyd B. McKissi	STATE HEALTH PLAN/ COURT-ORDERED GUARDIANSHIPS.	SR	Ch. SL 2010-120	05-26-10	06-23-10
S1401	Malcolm Graham	EMERGENCY FUND FOR LEO'S IN MECKLENBURG CO.	S	Ref To Com On Pensions & Retirement & Aging	05-26-10	
S1402=	Malcolm Graham	MECKLENBURG LAW ENFORCEMENT BENEFIT CAP UPPED.	S	Ref To Com On Pensions & Retirement & Aging	05-26-10	
S1423=	Debbie A. Clary	STATE HEALTH PLAN/ LOCAL GOVT RETIREE CONTRIB.	S	Ref To Com On Pensions & Retirement & Aging	05-26-10	
S1450	Linda Garrou	STATE RETIREMENT AGE AND SERVICE CHANGE.	S	Ref To Com On Pensions & Retirement & Aging	05-27-10	

'$' 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.

Senate Pensions & Retirement & Aging Committee
Wednesday, March 11, 2009, 12:00 Noon
Room 423, Legislative Office Building

AGENDA

I. **Welcome and Opening Remarks**

II. **Remarks by State Treasurer Janet Cowell**

III. **Presentation by the NC Department of State Treasurer, Pensions and Retirement Division on the Pension Plan**

IV. **Comments, Questions, and Answers**

V. **Additional Business**

VI. **Adjournment**

MINUTES

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE
Wednesday, March 11, 2009
12:00 p.m.
Room 423, Legislative Office Building

The Senate Pensions & Retirement & Aging Committee met at 12:00 p.m. on Wednesday, March 11, 2009, in Room 423 of the Legislative Office Building. Twelve members were present. Fiscal and Research Division staff were present and the Committee Clerk was in attendance. The agenda and visitor registration sheet(s) are attached.

Chairman Foriest called the meeting to order and introduced the pages and sergeant-at-arms staff. He asked each Committee member to introduce him/herself and indicate the district they represent. Chairman Foriest noted that the Committee would meet on a regular basis each Wednesday in order to educate members on pension's issues and look at legislation coming directly to the Committee.

Presentation – NC Department of State Treasurer

Chairman Foriest recognized Janet Cowell, NC State Treasurer, who gave remarks to the Committee. She noted that as we enter into a new era with pensions, there will be more debate and more bills coming to the Committee related to pensions and retirement. Treasurer Cowell indicated that investments have funded the pension fund over the last 10 years. Approximately 80% of the money for the pension fund has come from earnings from stocks and bonds and the 6% employee contribution has been steady. However, the loss in the stock market has changed things and this means there will be increased requirements for actuarial contributions from the NC General Assembly. Today, the Treasurer's office will convey how the pension plan works and how Committee members can help constituents understand the defined benefit system.

Michael Williamson, Retirement Systems Division Director, NC Department of State Treasurer, addressed the Committee. He introduced the following staff members of the NC Department of State Treasurer: Tony Solari, Director of Government Relations, David Starling, Director of External Relations, and David Vanderweide, Policy Director. Mr. Williamson gave an overview of retirement issues related to the following categories: 1) who they are and the programs they manage, 2) retirement system funding, and 3) the administration (Attachment 1). NC now has the ninth largest public pension plan in the country with over 820,000 active members and retirees in the retirement system. Members include local employees, university employees, community college employees, K-12 schools systems employees, and state employees. The four major retirement systems administered by Retirement Systems Division (Division) are:

1) Teachers' and State Employees' Retirement System,
2) Local Governmental Employees' Retirement System,
3) Consolidated Judicial Retirement System, and
4) Legislative Retirement System.

In addition to the four major retirement systems administered through the Division, responsibility for administration of other programs covers the following:

- Firemen's and Rescue Squad Workers' Pension Fund
- Disability Income Plan
- National Guard Pension Plan
- Supplemental Retirement Income Plan
- Public Employee Deferred Compensation Plan
- Registers of Deeds' Supplemental Pension Fund

Mr. Williamson noted the challenges in managing a vast retirement with a limited budget. However, the Division is committed to being above average in customer service and below average in terms of cost. There are also improvements being done with the implementation of upgraded technology. Some issues which may come before the Committee include the on-going funding of the Retirement System, the return to work policy, and workforce changes. Individuals are encouraged to utilize the Division's web site, www.myretirement.com, for information related to retirement benefits.

Information was distributed to Committee members denoting retirement information for his/her respective Senatorial districts.

Mr. Williamson answered questions from Committee members relating to retirement issues.

Chairman Foriest thanked the presenters from the Treasurer's Office. He also recognized staff and thanked them for assisting the Committee.

The meeting was adjourned at 12:52 p.m.

Senator Anthony Foriest, Chair Presiding

Jacqueline F. Ray, Committee Clerk

(NOTE: Minutes were assembled for library use after the Presiding Chair left office and vacated the NCGA.)

Your Retirement Benefits

TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

Building Brighter Futures for Public Employees

North Carolina Retirement Systems

Attachment 1

JANUARY, 2008 DEPARTMENT OF STATE TREASURER, RALEIGH, NORTH CAROLINA 27603-1385

STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

RICHARD H. MOORE
STATE TREASURER

MICHAEL WILLIAMSON
DEPUTY TREASURER

To the Members of the Teachers' and State Employees' Retirement System:

It is a great pleasure to present you with your new employee booklet *Your Retirement Benefits*. The information in this summary describes the retirement benefits you can expect to receive as a member of the Teachers' and State Employees' Retirement System. This summary includes topics such as when you qualify for benefits and how much you can expect to receive.

To help you build a sound financial future, the State helps you reach your retirement goal by sharing the cost of the Retirement System with you. Your retirement benefit is a part of your compensation earned during your active working career that has been deferred until the time you stop working. When combined with your Social Security benefits and personal savings, the Retirement System provides you financial security for your later years.

In addition, the Disability Income Plan is a financial benefit the State provides for you in the event you become unable to work before you are eligible to retire. This benefit plan is also described in this summary.

I think you will find *Your Retirement Benefits* a helpful tool in understanding the benefits of the Teachers' and State Employees' Retirement System. I encourage you to read this entire document and to share this information with your family.

Sincerely,

Richard H. Moore

State Treasurer

Your Retirement Benefits

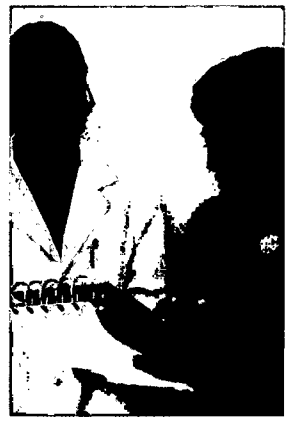
Details On: .....Are On Page:

Your Retirement System Benefits In Brief.....2
Becoming A Member Of The System.....2
Who Pays For The System.....3
Tax-Deferred Savings Advantages.....3
How Your Benefit Is Calculated.....4
How To Qualify For Benefits.....4
Becoming Vested.....4
Service Retirement (Unreduced Benefits).....4
Early Retirement (Reduced Benefits).....4
Disability Retirement.....5
Reciprocity Between Retirement Systems.....5
If You Leave The System Before Retirement.....5
How Your Beneficiaries Are Protected.....6
Survivor's Alternate Benefit.....6
Death Benefit.....6
Example Of How A Benefit Is Calculated.....7
At Service Retirement.....7
At Early Retirement.....8
Early Retirement Percentages.....8
Examples Of Benefits Paid.....9
Retirement Benefit Payment Plans.....9
Maximum Payment.....10
Payment Options.....10
How The Payment Options Work.....12
Creditable Service And Service Purchase Provisions.....13
Rollovers To Purchase Service Credit.....17
Transferring Service And Contributions Between Systems.....18
Refund Of Contributions.....18
Interest.....18
Applying For And Receiving Monthly Benefits....19
Retirement Application Process.....19
Your First Monthly Benefit.....20
Post-Retirement Increases.....20
Retiree Health Insurance Coverage.....20
Income Tax.....21
Retirement Benefits.....21
Death Benefits.....23
Refunds.....23
Reemployment After Retirement.....24
Important Information To Remember.....26
Disability Income Plan Of North Carolina.....27
Administration And Funding.....36
How To Contact Us.....38

DISCLAIMER: The availability and amount of all benefits you might be eligible to receive is governed by Retirement System law. The information provided in this handbook cannot alter, modify or otherwise change the controlling Retirement System law or other governing legal documents in any way, nor can any right accrue to you by reason of any information provided or omission of information provided herein. In the event of a conflict between this information and Retirement System law, Retirement System law governs.

Your Retirement System Benefits In Brief

- Automatic membership for eligible employees. See below.
- You and the State pay the cost of retirement benefits. See page 3.
- Monthly payments at retirement based on your salary, age, and years of credit. See page 4.
- Unreduced retirement benefit at age 65 with five years of membership, or at age 60 with 25 years of credit, or at any age with 30 years of credit; reduced benefit after age 50 and 20 years of credit, or at age 60 with five years of membership. See page 4.
- A right to a reduced benefit at age 60 after five years of membership, regardless of whether you are working. See page 4.
- Disability Income Plan benefits. For short-term benefit provisions, see page 29. For long-term benefit provisions, see page 31.
- Survivor monthly income if you die in active service with 20 years of credit regardless of age; or after age 60 with five years of membership. See page 6.
- Several payment options available to continue income to your beneficiary following your death after retirement. See pages 10, 11, and 12.
- Death benefit paid to your beneficiary if you die in active service after one year of membership. See page 6.



This section just highlights the System. The following pages describe it in detail.

Becoming A Member Of The System

You become a member of the System on your date of hire if you are:

- a permanent full-time teacher or employee of a State-supported board of education or community college,
- a permanent employee of the State (or any of its agencies, departments, bureaus, or institutions) and work at least 30 hours per week for nine months per year, or
- a permanent employee of a charter school whose board has elected to participate in the Retirement System, and work at least 30 hours per week for nine months per year.

However, if you are:

- a faculty member, administrator, or other eligible employee at a State institution of higher education or a community college president, you may join an optional retirement program, instead of the System, or
- an Agricultural Extension Service employee and a member of the Federal Employees' Retirement System, you may not join this System.

You can get more details about the alternate systems from your employer.

Shortly after your employer enrolls you in the System, the Retirement System will send you a Form 2C, "Designating Beneficiary(ies) for Retirement System Contributions and the Death Benefit," to complete. On the Form 2C, you will be asked to name your beneficiary(ies) to receive a refund of your contributions and a death benefit if you die before retirement. You can change your beneficiary(ies) at any time by completing another Form 2C, available from your employer or the Retirement System.

Who Pays For The System

You, and the State, and the investment earnings on total contributions pay the cost of providing your retirement benefits.

Your share of the cost, which is automatically deducted from your paycheck, is 6% of your compensation. Your compensation includes all salaries and wages paid to you, from public funds, which you earn at your covered job while working for the State.

On and after July 1, 1982, your contributions to the Retirement System are tax-sheltered for federal and North Carolina income tax purposes.

The State bases contributions on the calculations prepared by an actuary. The State contribution rate for the 2007-2008 fiscal year is 7.83% of all members' salaries to pay for the benefits for you and other members.

Tax-Deferred Savings Advantages

On and after July 1, 1982, special tax advantages apply to the contributions you make to the Retirement System because they are made on a before-tax basis. This means that your contributions are deducted from your pay before taxes are calculated. As a result, your taxable income is lowered and the amount of annual taxes you pay is less than if you made contributions on an after-tax basis.

The example below assumes you are married, earn $30,000 a year, have four people in your family, and contribute 6% of your salary to the Retirement System. The amount of tax you actually pay will depend on current tax rates and your own financial situation.

	After-Tax Savings	Tax-Deferred Savings
Eligible Pay	$30,000	$30,000
Tax-Deferred Savings	0	-1,800
Taxable Income	$30,000	$28,200
Federal Income Tax Withholding*	-1,882	-1,612
North Carolina State Income Tax Withholding*	-1,259	-1,133
After-Tax Savings	-1,800	0
Take-Home Pay	$25,059	$25,455
Increased Take-Home Pay		$396

*Estimated

How Your Benefit Is Calculated

Your annual retirement benefit
is based on this formula:
1.82% of "average final compensation"
TIMES
years and months of "creditable service."

Average final compensation means the average of your salary during your four highest-paid years in a row. If your four highest-paid years in a row include a final payment for unused vacation leave and/or prorated longevity, your average final compensation may be increased by the extra payment(s). (Final payments, if any, for unused sick leave or reimbursements for expenses are not includable in your average final compensation.)

Creditable service means any period during which you contribute to the System, provided you do not withdraw your contributions. In addition, if you have unused sick leave, were in military service, or worked out-of-state in related governmental employment, special rules may apply in determining creditable service. See pages 13 through 17 for more details.

If you left the System and withdrew any of your own contributions, you may restore your creditable service by making a lump sum payment, as outlined on page 14.

How To Qualify For Benefits

Becoming Vested

You become vested in the Retirement System once you have completed a minimum of five years of membership service. This means that you are eligible to apply for lifetime monthly retirement benefits based on the formula, and the age and service requirements described in this handbook, provided you do not withdraw your contributions. You may also be eligible for retiree health coverage as described on page 20.

Service Retirement (Unreduced Benefits)

You may retire with an unreduced service retirement benefit after:

- you reach age 65 and complete five years of membership service,
- you reach age 60 and complete 25 years of creditable service, or
- you complete 30 years of creditable service, at any age.

Early Retirement (Reduced Benefits)

You may retire early with a reduced retirement benefit after:

- you reach age 50 and complete 20 years of creditable service, or
- you reach age 60 and complete five years of membership service.

Your early retirement benefit is determined by the same formula as a service retirement benefit multiplied by a reduction percentage based on your age and/or service at early retirement. Since your benefits may be paid over a longer period of time than if you waited until you were eligible for service retirement, they will be reduced. The table on page 8 shows the effect these reductions would have on your benefit.

Disability Retirement

After attaining certain service requirements, you may be eligible for short-term disability and/or long-term disability benefits from the Disability Income Plan of North Carolina as described on pages 27 through 34. However, if you earned and maintained five or more years of membership service with the State Retirement System prior to July 1, 1982, you are eligible to receive disability retirement benefits that are based in part on the amount of service that you would have earned if you had been able to remain in service until age 65, instead of benefits from the Disability Income Plan.

In addition, if you earned and maintained five or more years of membership service with the State Retirement System prior to January 1, 1988, you are eligible to receive disability retirement benefits that are based in part on the amount of service that you would have earned if you had been able to remain in service until you would have otherwise been eligible for an unreduced service retirement benefit, instead of benefits from the Disability Income Plan.

In either case, if you earned and maintained five or more years of membership service with the State Retirement System prior to January 1, 1988, and subsequently become disabled, you will have the opportunity to elect to receive benefits from the Disability Income Plan or to receive disability retirement benefits from the State Retirement System.

If you are eligible for and you elect to receive disability retirement benefits, your payment under the Maximum Allowance will be calculated using the same formula as a service retirement benefit. (See pages 10 and 11 for descriptions of retirement payment plans.) Under disability retirement, you may choose any payment option except Option 4. If you choose a survivorship option, it will be calculated using disability reduction percentages.

Reciprocity Between Retirement Systems

Any credit you may have in the Legislative, Judicial, or Local Governmental Employees' Retirement Systems may be counted along with your credit in this Retirement System for the purpose of determining your *eligibility* for a reduced or unreduced benefit. However, only your creditable service in this System will be used in computing the amount of your benefit in this System, and creditable service in any other system will be used in computing benefits from that System.

If You Leave The System Before Retirement

Even if you leave before service or early retirement, you may still receive a benefit. You are entitled to apply to receive a benefit once you meet eligibility requirements if you leave for any reason after you have completed five years of membership service, provided you do not withdraw your contributions. See page 20 for information regarding retiree health insurance coverage.

Your benefit is determined by the formula in effect on the effective date of your retirement. It is based on your average final compensation and years of creditable service at that time. You can apply for deferred payments to begin when you reach age 60.

If you have at least 20 years of creditable service when you leave, you can apply for early payments starting at age 50, however, your benefit is reduced because you may receive payments for a longer period of time than if you waited until you were eligible for service retirement.

If you leave the System before you have five years of membership service, the only payment you can receive is a refund of your contributions. See page 18 regarding a refund of contributions.

How Your Beneficiaries Are Protected

Although the System's primary purpose is to provide retirement income, it recognizes that some employees will not live to enjoy their retirement benefits. So, it provides a death benefit that protects your beneficiary should you die before retirement.

In addition, your beneficiary will receive a refund of your contributions (with interest, if applicable). More details on refunds appear on page 18. If you meet certain age and/or service requirements, a *Survivor's Alternate Benefit* may be paid instead of the refund of contributions if you have named only one principal beneficiary. See below.

If you die after retirement, depending on the payment option you chose, your beneficiary may receive income following your death. See pages 10 through 12.

Survivor's Alternate Benefit

Provided you have not retired, if you have named one principal beneficiary for the refund of your contributions and die while in active service (while being paid a salary or within 180 days after salary payments cease) after:

- completing 20 years of creditable service (not including credit for unused sick leave) regardless of age, or
- reaching age 60 with five years of membership service,

the principal beneficiary named to receive a refund of your contributions and interest may choose to receive a monthly benefit for life instead of a refund of contributions. The Survivor's Alternate Benefit does not apply if you have named two or more persons as principal beneficiaries or your estate as beneficiary, or if you have retired. The benefit equals the same monthly amount you would have been entitled to under Option 2 had you retired on the first of the month following your death. If you do not want your beneficiary to have this choice of receiving a retirement allowance provided by Option 2, you should so indicate, in writing, to the Retirement System.

Death Benefit

If you die while still in active service (while being paid salary) after one year as a contributing member, your beneficiary will receive a single lump sum payment. The payment equals the highest 12 months of salary in a row during the 24 months before you die, but no less than $25,000 and no more than $50,000. This benefit is also paid if you die within 180 days of the last day for which you were paid salary. It is in addition to any other benefits to which you may be entitled.

Example Of How A Benefit Is Calculated

To give you an idea of how benefits are calculated, let us look at some examples. Assume an employee, Mary Benson, who works on a 10 month per year basis, retires at age 60, with 32 years and two months of creditable service. As we go through the steps to figure Mary's benefit, write in your own figures for an estimate of your benefit.

Because Mary has over 30 years of creditable service at retirement, she receives her basic benefit of about $18,929 annually, or approximately $1,577 monthly, for the rest of her life under the maximum payment, with monthly payments ceasing at her death.

In addition, Mary may also be eligible for Social Security benefits as early as age 62.

At Service Retirement	Mary	You
Step 1 Add your salary during your four highest-paid years in a row.	$30,600 31,700 32,900 + 34,000 $129,200	$ $
Step 2 Divide Step 1 by four to determine your average final compensation.	$32,300	$
Step 3 Multiply Step 2 by .0182 to apply retirement formula.	$32,300 x .0182 $587.86	$ x .0182 $
Step 4 Determine creditable service. (see pages 13 through 17)	32.2 years	
Step 5 Multiply Step 3 by Step 4 to determine your annual retirement benefit.	$587.86 x 32.2 $18,929.09	$ $
Step 6 Divide Step 5 by 12 to get monthly maximum payment.	$1,577.42	$

At Early Retirement

Now let us look at an employee, Fred Wise, who works on a 12 month per year basis. Assume when Fred retires at age 61, he has:

- average final compensation of $32,300, and
- 24 years and three months of creditable service.

Here is how we calculate his benefit:

$	32,300	(average final compensation)
x	.0182	
$	587.86	
x	24.25	(creditable service)
$	14,255.61	

Now apply the early retirement reduction percentage from the chart below.

$	14,255.61	
x	.88	(percentage at age 61)
$	12,544.94	

In this case, Fred receives a maximum payment of about $12,544 a year, or about $1,045 a month, unless he chooses a payment option. His payment will start at age 61 and continue for the rest of his life.

Assume, however, that Fred is age 59 instead of age 61. With 24.25 years of creditable service, his early service retirement reduction percentage is .80 instead of .88. In this case, Fred receives a maximum payment of about $11,404 a year, or about $950 a month, unless he chooses a specific retirement payment option. His payment will start at age 59 and continue for the rest of his life.

In addition, Fred may also be eligible for Social Security benefits as early as age 62.

Early Retirement Percentages

If you are between ages 60 and 65, with less than 25 years of creditable service, your early service retirement benefit will be reduced to the following percentages.

If you are this age when payments start	You receive this percentage of your benefit
64	97%
63	94%
62	91%
61	88%
60	85%

	Creditable Service									
Age	29	28	27	26	25	24	23	22	21	20
59	95%	90%	85%	80%	80%	80%	80%	80%	80%	80%
58	95%	90%	85%	80%	75%	75%	75%	75%	75%	75%
57	95%	90%	85%	80%	75%	70%	70%	70%	70%	70%
56	95%	90%	85%	80%	75%	70%	65%	65%	65%	65%
55	95%	90%	85%	80%	75%	70%	65%	60%	60%	60%
54	95%	90%	85%	80%	75%	70%	65%	60%	55%	55%
53	95%	90%	85%	80%	75%	70%	65%	60%	55%	52%
52	95%	90%	85%	80%	75%	70%	65%	60%	55%	50%
51	95%	90%	85%	80%	75%	70%	65%	60%	55%	50%
50	95%	90%	85%	80%	75%	70%	65%	60%	55%	50%

If you are between birthdays when payments start, the reduction will be adjusted proportionately.

If you are between ages 50 and 59, with less than 30 years of creditable service, your early retirement will be reduced to the percentages shown in the table on page 8.

Examples Of Benefits Paid

The following chart shows the approximate monthly benefit paid at various salary levels, depending on age and creditable service.

Of course, these are only examples. Your own benefit is calculated individually and depends on your age, creditable service, and average final compensation.

Monthly Retirement Benefit Under Maximum Payment

Average Final Compensation	Age	50	55	60	N/A	N/A
	Service	20	28	25	30	40
	$50,000	$758	$1,911	$1,895	$2,275	$3,033
	40,000	606	1,528	1,516	1,820	2,426
	35,000	530	1,337	1,327	1,592	2,123
	30,000	455	1,146	1,137	1,365	1,820
	25,000	379	955	947	1,137	1,516
	22,000	333	840	834	1,001	1,334
	20,000	303	764	758	910	1,213
	18,000	273	687	682	819	1,092
	16,000	242	611	606	728	970
	14,000	212	535	530	637	849
	12,000	182	458	455	546	728
	10,000	151	382	379	455	606

Retirement Benefit Payment Plans

When you retire you have to decide which monthly payment plan to select. Your decision will be personal and should take into account your needs during retirement and the needs of a dependent, if any, after your death. Neither the payment plan selected by a co-worker nor the one selected by the largest number of retirees should have any effect on your personal decision.

Before you select a payment plan, you should know that, on average, each payment plan is mathematically equal to the other plans. That is, each payment plan is calculated so that the total value of the plan you select is the same as the value of the other plans if you and the beneficiary (if any) you name to receive a monthly payment, live your expected lifespans.

You should first decide if you need to select a type of payment plan that provides for a monthly payment to a beneficiary after your death. If you do not select such a plan, all of your retirement benefit will be used to provide you with a lifetime monthly payment that ceases at your death.

There is a **Guaranteed Refund** feature of your retirement benefits which provides that the total amount paid out after your retirement will not be less than the amount of your contributions and interest, regardless of which retirement plan you select. Should your death and the death of the beneficiary named to receive a monthly payment, if any, occur before the total of all monthly payments equals the amount of your contributions and interest, the unrecovered portion of your contributions and interest will be paid in one lump sum to another beneficiary(ies). Payments made to purchase additional creditable service after retirement are also covered by the Guaranteed Refund provisions. You may name one or more beneficiaries for the Guaranteed Refund provision, and you may change this beneficiary(ies) as often as you desire. Of course, any beneficiary named for the Guaranteed Refund cannot be named as beneficiary for a monthly benefit.

You may not change the payment plan you select once you cash a retirement check or after the 25th of the month following the month your first check is mailed (whichever is earlier) *except* under the following conditions:

- if you select a payment option that provides a monthly benefit to your spouse as named beneficiary after your death (i.e., Option 2, 3, 6-2, or 6-3) and later become divorced from that spouse, or
- if you are rehired in a position covered by the Retirement System and contribute to your new account for at least three years.

Maximum Payment

When you retire on a service retirement allowance, your basic benefit is the maximum payment and is calculated under the formula on page 7. If you retire early, your maximum payment is calculated using the same formula and then reduced for early retirement. In either case, unless you choose a payment option, you will receive your maximum payment for as long as you live. All monthly payments stop at your death.

Payment Options

Instead of the maximum payment, you can choose one of the following payment options.

If you elect to provide a monthly payment to a beneficiary after your death by choosing Option 2, 3, 6-2, or 6-3, you give up some of your retirement benefit while you are living. The amount you give up is placed in reserve to be paid to one beneficiary after your death. (A beneficiary for a monthly benefit *cannot* be named as beneficiary for the Guaranteed Refund.) The amount your retirement benefit is reduced depends on the amount of your maximum payment benefit, your age, and the age of your beneficiary.

Option 2
100% Joint And Survivor

You receive reduced monthly payments for life. After you die, your beneficiary receives the same amount monthly for life.

Option 3
50% Joint And Survivor

You receive reduced monthly payments for life. After you die, one-half of your payment continues to your beneficiary for life.

Option 4

Social Security Leveling

You receive larger monthly payments than you would otherwise be entitled to receive, until you become eligible for Social Security at age 62. Beginning at age 62, your monthly payments will be reduced to an amount that is less than what you would otherwise be entitled to receive. Nevertheless, your reduced retirement payments after age 62 plus your allowance from the Social Security Administration should be approximately the same amount as the inflated payment you received from the Retirement System before age 62. However, the actual amount of your retirement payments both before and after age 62 will be based on the estimate of benefits you provide to our office from the Social Security Administration *prior* to your retirement. All monthly payments cease at your death.

The reduction in your monthly retirement payments after age 62 allows the Retirement System to recover the inflated amounts you received before age 62. Therefore, on the average, the inflated amounts received before age 62, together with the reduced amounts received after age 62, are equal in value to the other retirement plans over your life expectancy.

Under Option 4, any percentage increase you are granted in your retirement payments before age 62 will be applied to the inflated benefit you are receiving at that time; however, upon reaching age 62 your retirement payments will be reduced to the original amount promised after age 62, plus the *percentage increases* (not the dollar amount of increases) granted before age 62. For additional information regarding Option 4 and Social Security, see pages 19 and 26.

Option 6

Modified Joint And Survivor

You receive reduced monthly payments under a combination of Option 2 and the maximum payment, or under Option 3 and the maximum payment. Your death, or the death of your beneficiary, affects monthly payments as follows:

- **Option 6-2** — Under a combination of Option 2 and the maximum payment, your death entitles your beneficiary to receive a monthly payment for life in the same amount as you received. However, if your beneficiary dies before you do, your monthly payments are increased to the amount payable under the maximum payment.
- **Option 6-3** — Under a combination of Option 3 and the maximum payment, your death entitles your beneficiary to receive a monthly payment for life of one-half the amount you received. However, if your beneficiary dies before you do, your monthly payments are increased to the amount payable under the maximum payment.

Under Options 2, 3, 6-2, and 6-3, you may name only one beneficiary to receive a monthly survivor payment after your death. **You may not change your survivor beneficiary after you retire** *except* under the following conditions:

- if you named your spouse as survivor beneficiary and later become divorced from that spouse,
- if you return to employment covered under this Retirement System and contribute to a new retirement account for at least three years, or
- if you chose Option 2 or 3 at retirement and designated your spouse as survivor beneficiary and this spouse dies before you, and you

remarry, you may name your new spouse as your beneficiary within 90 days of your remarriage under the same option you chose at retirement. This redesignation must be properly filed with the Retirement System within 120 days of remarriage. Your new benefit will be reduced on the basis of your age and the age of your spouse at the time of the change. The benefit payable to you will be the benefit you received prior to the death of your original spouse, additionally reduced in order to cover your new spouse as beneficiary.

Under Options 6-2 and 6-3, if your survivor beneficiary dies before you do, you may not name another.

Your new beneficiary designation will be effective on the first day of the month in which it was made, and it will provide retirement benefits that are mathematically equal to the retirement benefits that were in effect prior to your new beneficiary designation.

How The Payment Options Work

John Murphy has earned a service retirement benefit under the maximum payment plan of $1,000 a month. Unless he chooses a payment option, he will receive $1,000 each month for life with all monthly payments ceasing at his death.

But let us assume he wants to share his benefit with his wife, Pam. Pam is 51 when John retires at 57 after 30 years and three months of creditable service. The table below shows how much John and Pam would each receive monthly under various payment options.

Of course, the actual amounts of the payment options you can choose are based on many factors, such as your age, your beneficiary's age, and when payments start. Before you retire, you will receive an estimate of the actual amounts payable to you.

To John	To Pam After John's Death
Maximum	
$1,000 monthly	$0.00
Option 2	
$840.40 monthly	$840.40 monthly
Option 3	
$913.30 monthly	$456.65 monthly
Option 4*	
$1,388.89 up to age 62, $753.89 thereafter	$0.00
Option 6	
With Option 2:	$832.10 monthly
$832.10 monthly; if Pam dies before John, he receives $1,000 monthly thereafter	
With Option 3:	$454.20 monthly
$908.40 monthly; if Pam dies before John, he receives $1,000 monthly thereafter	

*Assumes John's primary Social Security benefit is $635 a month at age 62.

Creditable Service And Service Purchase Provisions

Your benefit at retirement is based, in part, on your creditable service. In addition to the years and months you contribute to the System, creditable service also includes:

Sick Leave. Sick leave earned monthly under a duly adopted policy and for which you would receive full salary if you were absent from work on account of sickness, counts as creditable service. Sick leave which was converted from excess vacation leave in accordance with State law is also creditable. One month of credit is allowed, at no cost to you, for each 20 days of your unused sick leave when you retire. One more month is allowed for any part of 20 days left over, provided the remaining portion is at least one hour.

Sick leave is used to increase your creditable service, but sick leave cannot be used to meet the minimum qualifications for a deferred benefit or the Survivor's Alternate Benefit. You may use your sick leave to complete 30 years of service, regardless of age; 25 years of service after age 60; and 20 years of service after age 50. Please note that sick leave does not count toward eligibility for retiree health coverage. See page 20 for information regarding retiree health coverage.

Your employer will certify the amount of sick leave you have on your retirement application.

Military Service. Your periods of active duty in the United States military up to the time you were first eligible for discharge count as creditable service at no cost to you if you were a teacher or State employee when you entered the military, and:

- you returned to employment as a teacher or State employee within two years after your earliest discharge date, or
- you returned to employment as a teacher or State employee at any time after your discharge and completed at least 10 additional years of service as a contributing member.

If you are not eligible for free credit under these rules , you may be eligible to buy credit for your first period plus later *required* periods of active duty by making a lump sum payment. Your cost will depend on when you became a member and when you make your payment.

If you became a member **on or before July 1, 1981,** and have contributed to the Retirement System for five years but less than 10 years, your cost will be equal to the full actuarial liabilities created on account of the additional credit purchased. However, as soon as you have contributed to this Retirement System for 10 years, there immediately follows a three-year period during which your cost will likely be lower than at any other time. If not paid during that three-year period, your cost will again become equal to the full actuarial liabilities created on account of the additional credit purchased.

If you became a member **after July 1, 1981,** you must have contributed to this Retirement System for five years. Your cost will be equal to the full actuarial liabilities created on account of the additional credit purchased.

If your service is creditable in another retirement system, your ability to buy credit in this System may be restricted.

Your employer and the Retirement System have application forms which contain more information.

Withdrawn Service. If you ever received a refund of your contributions from:

- this Retirement System,

- the Local Governmental Employees' Retirement System, or
- the former Law Enforcement Officers' Retirement System,

you may be eligible to make a lump sum payment and restore to this System the creditable service you lost when you received your refund. Before you are eligible to pay for this service, you must be rehired and contribute to this System for five years or have a combination of five years of currently creditable service in the Judicial, Legislative, Local Governmental, or this Retirement System.

Effective July 1, 2001, your cost, which must be paid in a lump sum, will be equal to the amount of contributions withdrawn, plus interest at the rate of six and one-half percent compounded annually from the year of withdrawal to the year of repayment, plus an administrative fee of $25.

Other Withdrawn Service Purchase Provisions. If you ever received a refund of your contributions from:

- the Consolidated Judicial Retirement System,
- the Legislative Retirement System, or
- the Local Governmental Employees' Retirement System,

you may be eligible to make a lump sum payment and restore the creditable service to the System *from which it was withdrawn.* Before you are eligible to pay for this service, you must have five years of currently creditable service in this Retirement System or in the Judicial, Legislative, or Local Governmental Retirement Systems, or have a combination of five years of credit in any of these Systems. *Service purchased under this method may be used in determining your eligibility for benefits in this System.* However, only your creditable service in this System will be used in computing the amount of your benefit in this System, and creditable service in any other system will be used in computing benefits from that System.

Your cost, which must be paid in a lump sum, will be calculated using the withdrawn service purchase provisions in the System under which you are purchasing the service credit.

Your employer and the Retirement System have application forms which contain more information.

Out-Of-State Service. If you have performed out-of-state public employment, you may be eligible to buy credit for that service. Credit that can be purchased must have been with:

- another state or governmental subdivision of a state,
- a federal, overseas dependent or military dependent school,
- the Public Health Service,
- the Merchant Marine (if you were also in the Naval Reserve), or
- the International Cooperation Administration or Agency for International Development, while on an approved leave of absence.

If you became a member **on or before July 1, 1981,** and have contributed to the Retirement System for five years but less than 10 years since completing your out-of-state service, your cost will be equal to the full actuarial liabilities created on account of the additional credit purchased. However, as soon as you have contributed to the Retirement System for 10 years, there immediately follows a three-year period during which your cost will likely be lower than any other time. If not paid during that three-year period, your cost will again become equal to the full actuarial liabilities created on account of the additional credit purchased.

If you became a member **after July 1, 1981,** you must have contributed to the Retirement System for a total of five years with at least one year of membership service after completing your out-of-state service. Your cost will be equal to the

full actuarial liabilities created on account of the additional credit purchased.

If your service is creditable in another retirement system, your ability to buy credit in this System will be restricted. If you are eligible, you may buy credit at the rate of one year of out-of-state service for each year of service under this System. You may purchase a maximum of 10 years of out-of-state service credit.

Your employer and the Retirement System have application forms which contain more information.

Educational Leave. If you have interrupted service or approved leave of absence for educational purposes **prior to July 1, 1981,** credit may be purchased if you returned to service as a contributing member within 12 months after completing an educational program; have contributed to the Retirement System for at least 10 years after returning to service; and, make a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

If you have interrupted service or approved leave of absence for educational purposes **after July 1, 1981,** credit may be purchased if regular employee and employer contributions are paid by the 15th of the month following the month for which service credit is allowed. If contributions are not made by the 15th of the month, a penalty of 1% per month shall be assessed to the total costs. In addition, unless you return to service as a contributing member within 12 months after completion of your educational program and contribute to the Retirement System for at least three more years (except in the event of death or disability), your contributions will be refunded and the service credits canceled. If your employer will not make the employer contributions, you may make them in addition to the employee contributions.

Regardless of when the educational program was completed, the maximum allowable credit for educational leave or interrupted service for educational purposes is six years.

Your employer and the Retirement System have application forms which contain more information.

Temporary Local And State Service. You may purchase credit for full-time temporary local and State government employment if you have completed five years of service as a contributing member after the temporary employment. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

Your employer and the Retirement System have application forms which contain more information.

Probationary Or Waiting Period Service. You may purchase credit for a period of service you performed with a unit of the Local Retirement System, during which time you were in a probationary or employer imposed waiting period status between your date of employment and date of membership in the Retirement System. In order to be eligible to purchase this credit, the employer must have revoked its probationary or waiting period policy. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

Your employer and the Retirement System have application forms which contain more information.

Workers' Compensation Leave. If you are granted a leave of absence to receive benefits under the North Carolina Workers' Compensation Act, you may make a lump sum payment to purchase credit for the period of time you received those benefits.

If your leave ended before January 1, 1988, your cost will be a lump sum payment that includes the total amount required to cover the employee and employer funding. If your leave ends on or after

January 1, 1988, the cost will be shared by you and your employer. For any leave ending on or after July 1, 1983, if payments are not made within six months of your return to service, a penalty of 1% per month shall be assessed to the total cost.

Your employer and the Retirement System have application forms which contain more information.

Part-Time Local And State Service. You may purchase credit for part-time local and State government service if you have completed five years of service as a contributing member. If your purchase of credit for part-time service makes you eligible to retire and you do so immediately after your purchase, the five years of service as a contributing member may be performed at any time before and/or after completion of the part-time employment. Otherwise, the five years of service must be performed *since* completion of the part-time employment. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

Your employer and the Retirement System have application forms which contain more information.

Service With A Local Governmental Employer. If you worked on a permanent, full-time basis with a unit of local government, and are not otherwise eligible for credit for that service, you may purchase credit for it in the State Retirement System, if you have completed five years of service as a contributing member. In order to be eligible to purchase this credit in the State Retirement System, the service must not be creditable in the Local Governmental Employees' Retirement System. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

Your employer and the Retirement System have application forms which contain more information.

Service With The Federal Government. You may purchase credit for service you performed on a full-time basis with the federal government, if you have completed five years of service as a contributing member of this Retirement System since performing the federal service. In order to be eligible to purchase this credit, your federal service must not be creditable in any other retirement system. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

Your employer and the Retirement System have application forms which contain more information.

Public Community Service. If you worked on a full-time basis with a public community service entity in North Carolina that was funded entirely with federal funds, and are not otherwise eligible for credit for that service, you may be eligible to purchase credit for it in this Retirement System. To do so, you must have completed five years of service as a contributing member since completing the public community service employment. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

Your employer and the Retirement System have application forms which contain more information.

Omitted Service. You may purchase credit for a period of eligible service to a participating employer, if during that period of eligible service, you should have been a contributing member of the State or Local Governmental Retirement System but were omitted from contributing membership through error.

The cost to purchase this type of service depends on when the omitted membership occurred. The cost, which must be paid in a lump sum payment, will likely be lower if you purchase the omitted service as soon as possible after the omission.

Your employer and the Retirement System have application forms which contain more information.

Service As A Member Of The General Assembly. You may purchase credit for service as a member of the General Assembly if that service is not creditable in the Legislative Retirement Fund or the Legislative Retirement System. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

You should contact the Retirement System for additional information.

Service As A Member Of A Charter School. You may purchase credit for service if you were a permanent employee of a charter school whose Board elected not to participate in the Retirement System. You must have completed five years as a contributing member after the charter school employment. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

Your employer and the Retirement System have application forms which contain more information.

Withdrawn University of North Carolina Optional Retirement Program Service. You may purchase credit for periods of withdrawn University of North Carolina Optional Retirement Program service, provided you are not receiving, and are not entitled to receive, any retirement benefits resulting from this service. To purchase this service, you must have completed five years of service as a contributing member of this Retirement System since your Optional Retirement Program service. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

Your employer and the Retirement System have application forms which contain more information.

Extended Illness Leave. If your membership service was interrupted by one or more periods of leave without pay due to extended injury or illness, excluding maternity leave, you may purchase credit for each separate period during which you lost at least two months of membership credit. To be eligible, you must be a contributing member at the time of purchase and have at least five years of service as a contributing member. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

Your employer and the Retirement System have application forms which contain more information.

Parental Leave. If your membership service was interrupted by one or more periods of parental or maternity leave, pregnancy, or childbirth, you may purchase credit for each separate period during which you lost at least one month of membership credit. The maximum amount of credit you may purchase for each separate period is six months. To be eligible, you must be a contributing member at the time of purchase and have at least five years of service as a contributing member. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

Your employer and the Retirement System have application forms which contain more information.

Rollovers To Purchase Retirement Service Credit

Effective January 1, 2003, pre-tax money from an eligible retirement plan or an eligible IRA may be accepted via rollover or in-service plan-to-plan transfer to purchase creditable service. For further information and instructions, please see Form 398, "Using a Distribution of Tax-Sheltered Savings to Purchase Retirement Credit," available from your employer or the Retirement System's Web site at www.myncretirement.com.

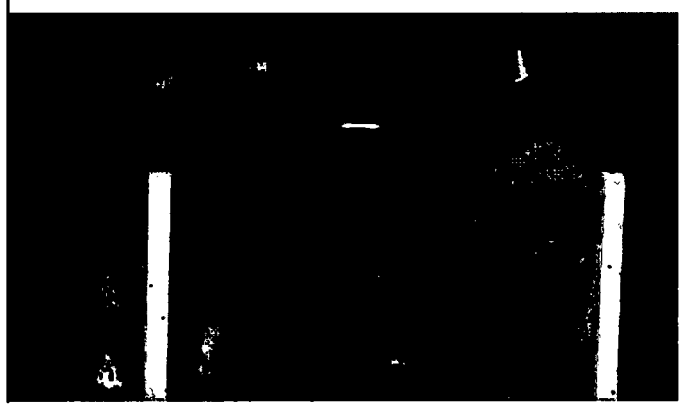
Transferring Service And Contributions Between Systems

You can transfer your contributions and creditable service between this Retirement System and the Local Governmental Employees' Retirement System as long as you are an eligible member of the System to which you are transferring; do not receive a refund of your contributions from the System from which you are transferring; and, file a Form 5TR which is available from the Retirement System or your employer.

Creditable service transferred counts toward eligibility for monthly benefits and is used in computing the amount of your benefit. (See page 5 concerning reciprocity.)

Effective January 1, 2004, after completing five years of membership service in the Teachers' and State Employees' Retirement System, you may transfer contributions and creditable service from the Consolidated Judicial and Legislative Retirement Systems to this Retirement System. Please contact the Retirement System for additional information and instructions.

NOTE: A transfer can affect your eligibility for retiree group coverage under the State Health Plan. Please see page 20 for further information.



Refund Of Contributions

If you leave the System for any reason other than retirement or death, you can either:

- receive a refund of your contributions (plus interest, if you have at least five years of service as a contributing member), or
- leave your contributions in the System and keep all the creditable service you earned to that date. See page 5.

To receive a refund, simply complete a Form 5, "Withdrawing Your Retirement Service Credit and Contributions," and file it with the Retirement System. You can get the form from your employer or the Retirement System's Web site at www.myncretirement.com. State law does not permit the Retirement System to make a refund earlier than 60 days after your separation from covered employment. Upon receipt of your refund of contributions, you waive any rights to the employer contributions or any other benefit from the Retirement System. (See pages 20 through 23 for information about *retiree* medical benefits and taxation.)

Interest

The interest credited on your contributions and paid with a refund is set by State law. The amount is 4% per year on your balance at the first of each calendar year, compounded annually. Interest is a benefit to you only if you leave the System, get a refund, and qualify for an interest payment. The difference between the total investment earnings on your contributions and the 4% paid with your refund is kept by the System to help pay the cost of retirement benefits for career employees. If the law allowed a higher rate of interest to be paid with refunds, retirement benefits and other career employee benefits would be lower.

Applying For And Receiving Monthly Benefits

Retirement Application Process

Once you decide to retire and meet the eligibility requirements for monthly benefits, there are certain steps which must be taken to begin the retirement process.

Monthly retirement benefits are effective the first day of any month; however, a retirement application must be signed, dated, and filed at least one day and not more than 120 days prior to the effective date of retirement.

Approximately 90 to 120 days before your planned retirement date, you should complete a:

- Form 6, "Claiming Your Monthly Retirement Benefit."

Please see the Guides on the Form 6 for additional detailed information about the retirement process. This form is available from your employer or the Retirement System's Web site at www.myncretirement.com.

If you contribute to the Retirement System during the six months before your effective date of retirement, your employer should complete the employer certification section (Section H) on the Form 6, "Claiming Your Monthly Retirement Benefit," before the form is sent to the Retirement System.

If you want an estimate under Option 4, you must furnish the Retirement System with an estimate, obtained from the Social Security Administration, of the Social Security benefit available to you at age 62. This estimate should be obtained within one year prior to your effective date of retirement.

You must terminate employment, live until the effective date of retirement, and do no work for a covered employer at any time during the six months immediately following the effective date of retirement in order to be legally retired. Generally, if your death occurs before the effective date of your retirement, your beneficiary will not be eligible for a monthly retirement allowance, based on your retirement account, except as provided under "Survivor's Alternate Benefit" on page 6.

Upon receipt of your Form 6, "Claiming Your Monthly Retirement Benefit," the Retirement System will send you an acknowledgement letter which will include instructions on your next steps in the retirement process. You will also be sent a:

- Form 170, "Authorizing Direct Deposit," and
- Form HM, "Selecting Health Coverage Through the State Health Plan."

In addition, you will have an opportunity to elect coverage under the optional $10,000 Contributory Death Benefit for Retired Members. Your election must be made within 60 days from the effective date of your retirement. Information about the cost and coverage provisions will be sent to you shortly after the Retirement System receives your retirement application.

You will later receive an estimate of the maximum allowance you can receive and the payment options, if applicable. Along with the estimates, you will receive:

- Form 6E, "Choosing Your Retirement Payment Option," and
- Form 290, "Choosing Income Tax Withholding Preferences."

Please note that the Retirement System will not be able to pay monthly retirement benefits to you until we have received your properly completed Form 6E.

Finally, you will be sent a:

- Form 336, "Designating Beneficiary(ies) for the Guaranteed Refund as a Retiree."

Please return completed forms directly to the Retirement System.

Your First Monthly Benefit

Your first monthly retirement benefit will be mailed to you. Thereafter, it is the policy of the Retirement Systems Division for your monthly payment to be directly deposited in your account when your financial institution opens for business on the 25th day of each month, except in December, when it will be deposited on the 20th. If the day the Retirement System would normally make your deposit is a Saturday, Sunday, or holiday, then your deposit will be made on the last workday *before* that Saturday, Sunday, or holiday. Direct deposit is fast, is automatic, and is free of cost to you.

Post-Retirement Increases

Your benefit may be increased periodically after retirement to help you keep up with the cost-of-living. Increases depend on changes in the Consumer Price Index, the availability of funds, and how much active working members of the System receive in salary raises.

The cost-of-living increases granted are usually figured as a percentage increase in your monthly benefit. That percentage increase becomes a permanent part of your monthly benefit, under all payment plans, and the monthly benefit to be paid to your beneficiary, after your death, under Options 2, 3, 6-2, and 6-3. (See page 11 regarding Option 4 increases.)

Retiree Health Insurance Coverage

When you retire, you are eligible to enroll in the State Health Plan, with the cost determined by when you began State employment and which health coverage you select, if you contributed to the Teachers' and State Employees' Retirement System for at least five years (not including credit for unused sick leave or credit transferred from the Local Governmental Employees' Retirement System) while employed as a teacher or State employee.

At the time you complete your retirement application, be sure to complete an application to enroll in the retiree group of the State Health Plan.

Under current law, if you were first hired **prior to October 1, 2006**, and retire with five or more years of State System membership service, the State will pay either all or most of the cost, depending on the plan chosen, for your individual coverage under one of the Preferred Provider Organization (PPO) plans. Based on the conditions described above, if you were first hired **on or after October 1, 2006**, in order to receive individual coverage at no cost, you must retire with 20 or more years of retirement service credit; if you have 10 but less than 20 years of retirement service credit, you will have to pay 50% of the cost for your coverage, and with five but less than 10 years, you will have to pay the full cost for your coverage. In all cases, the full cost of dependent coverage, if elected, must be paid by you.

As a retiree, when you or covered dependents become eligible for Medicare, both Parts A (Hospital) and B (Medical) must be elected in order to maintain the same level of coverage provided before retirement.

For information on prescription drug coverage under the State Health Plan and Medicare Part D (Prescriptions), please contact the State Health Plan at 1-800-422-4658 or visit the State Health Plan Web site at www.shpnc.org.

Coverage under the retiree group of the State Health Plan begins on the first day of the month following the effective date of retirement. For example, if your effective date of retirement is January 1, 2008, your retiree group health coverage will begin on February 1, 2008.

Income Tax

Benefits from the Retirement System receive special income tax treatment. The following is a brief outline of current tax laws as they apply to System benefits. However, tax laws often change. You should consult your tax advisor for more details.

Retirement Benefits

Each year by January 31, a Form 1099-R (similar to Form W-2, Statement of Income and Tax Withheld, that you received annually while you were working) will be sent to you. Shown on the Form 1099-R are the amount of your retirement benefits, the taxable portion (if any), the amount of tax withheld (if any), and related information. Copies will also be sent to the Internal Revenue Service and North Carolina Department of Revenue. Therefore, you should report your retirement benefits on your federal and North Carolina tax returns regardless of whether you owe any income tax.

Federal Income Tax. Part of your retirement benefit may not be subject to federal income tax because the tax was withheld while you were working. Included in the non-taxable part of your retirement benefits are contributions made by you before July 1, 1982, and any non-rollover service purchases made by you.

All or part of your retirement benefit may be subject to federal income tax because it has not been taxed before. Included in the taxable part of your retirement benefits are contributions made by you after July 1, 1982, any rollover service purchases, and all benefits paid by the employer contributions and investment earnings.

When you retire, you will receive a statement that shows the total amount of your retirement benefits not subject to federal income tax. That figure will be referred to as your "federal tax base."

Under federal law, the majority of each and every retirement check is includable as taxable income on your federal tax Form 1040. This does not mean that you will pay tax again on the contributions on which you have already paid tax. It does mean, however, that you may exclude only a small portion of your previously taxed contributions each month throughout a period of time specified by the federal government.

The Retirement System computes the non-taxable portion of your monthly benefit by using the Internal Revenue Service "Simplified General Rule." Under this method of computation, your "federal tax base" is divided by a specified number, based on your option and your age at retirement, to determine the non-taxable amount of your monthly benefit.

In order to determine in advance the portion of your monthly benefit that is *not* taxable, refer to the tables on the following page. Use Table 1 if you select the Maximum Allowance or Option 4; use Table 2 if you choose Option 2, 3, 6-2, or 6-3. Based on *your* age at retirement for Table 1 or for *your and your beneficiaries combined age* for Table 2, determine the number of expected payments in column two opposite your age bracket. Divide the number of expected payments into your "federal tax base" (as shown in your Final Report of Retirement Benefits). The result is the amount of your monthly benefit that is *not* taxable.

Table 1 — For Maximum Allowance And Option 4

Your Age At Retirement	Number Of Expected Payments To Be Divided Into Your Federal Tax Base
55 and under	360
over 55 to 60	310
over 60 to 65	260
over 65 to 70	210
over 70	160

Table 2 — For Options 2, 3, 6-2, And 6-3

Combined Age At Retirement	Number Of Expected Payments To Be Divided Into Your Federal Tax Base
110 and under	410
over 110 to 120	360
over 120 to 130	310
over 130 to 140	260
over 140	210

FOR EXAMPLE —
Maximum Allowance And Option 4:

If your "federal tax base" is $13,950 and your age at retirement is 60, you would divide $13,950 by 310 to obtain your non-taxable figure of $45 *per month.* Therefore, regardless of the post-retirement increases you may receive in the future, $45 of your monthly benefit would be exempt from federal income tax for 310 months. The amount of your monthly benefit *in excess* of $45 would be immediately includable for federal income tax purposes, and after 310 months your total monthly benefit would be includable.

FOR EXAMPLE —
Options 2, 3, 6-2, And 6-3:

If your "federal tax base" is $13,950 and your age at retirement is 56 and your spouse's age is 63, you would divide $13,950 by 360 to obtain your non-taxable figure of $38.75 *per month.* Therefore regardless of the post-retirement increases you may receive in the future, $38.75 of your monthly benefit would be exempt from federal income tax for 360 months. If you fail to live 360 months, the beneficiary to whom you have left a *monthly benefit,* can claim the $38.75 monthly exclusion for the balance of the 360 months. The amount of your or your survivor's monthly benefit *in excess* of $38.75 would be immediately includable for federal income tax purposes, and after 360 months your total monthly benefit would be includable.

The illustrations on this page are only examples. Your non-taxable amount will be based on your age and the age of your survivor, if applicable, at retirement and the amount of your "federal tax base."

North Carolina Income Tax. If you are a North Carolina resident and have maintained five or more years of retirement service credit as of August 12, 1989, your retirement benefit paid by this System is not subject to North Carolina income tax. If you do not have five years of maintained retirement service credit as of August 12, 1989, you will be required to pay North Carolina income tax on the taxable portion of your retirement benefit. The amount of retirement benefits subject to North Carolina income tax is the same amount of retirement benefits on which federal income tax must be paid, less a $4,000 annual exclusion. If the taxable portion of your annual retirement benefits is less than $4,000, you will not owe any North Carolina income tax on your retirement benefits.

If you are not a resident of North Carolina, you may not owe North Carolina income tax on your retirement benefits from this System. However, you may owe state income tax in the state in which you live. You should contact your tax advisor, the North Carolina Department of Revenue, or the Department of Revenue in the state in which you live for specific information relative to your situation. Our System can only withhold North Carolina income tax. We cannot withhold any other state's income tax from your monthly benefit.

Death Benefits

Your beneficiary pays no income tax on death benefits. They are treated as life insurance benefits for tax purposes.

Refunds

By January 31 of the year following the year of your refund, you will be sent a Form 1099-R showing the amount of your refund, the taxable portion, the amount of tax withheld (if any), and related information. Copies will also be sent to the Internal Revenue Service and North Carolina Department of Revenue.

Federal Income Tax. You pay no federal income tax on the amount you contributed prior to July 1, 1982; however, the amount you contribute after July 1, 1982, is subject to federal income tax. Also, any interest earned by your contributions before and after July 1, 1982, is subject to federal income tax.

Federal income tax laws *require* withholding from the taxable portion of your refund *unless* that portion of your refund is directly rolled over to an IRA or another qualified retirement plan that will accept your rollover. If you do not elect to roll over the taxable portion of your refund directly to an IRA or another qualified retirement plan that will accept your rollover, 20% of the taxable portion of your refund will be withheld for federal income tax purposes. Withholding is *mandatory* unless the taxable portion of your refund is directly rolled over.

In addition to income tax, you may owe a 10% excise tax on the taxable portion of a refund which is made prior to death, disability, or the attainment of age 59½. You can defer the income tax and avoid the 10% excise tax by rolling over the taxable portion of your refund to an IRA or another qualified retirement plan. You should consult the Internal Revenue Service, your attorney, or your accountant for specific information relative to your particular situation.

North Carolina Income Tax. The amount of the refund subject to North Carolina income tax is the amount of the refund on which federal income tax must be paid, less a $4,000 exclusion. Refunds of retirement contributions paid by the Retirement System to former employees who maintained five or more years of retirement service credit as of August 12, 1989, are *not* subject to North Carolina income tax. Employees who do not have five years of maintained retirement service credit as of August 12, 1989, will be required to pay North Carolina income tax on the taxable portion of their retirement benefits refunds. If the taxable portion of your refund is less than $4,000 for federal income tax purposes, you will not owe any North Carolina income tax on your refund.

Reemployment After Retirement

After you have officially retired and are receiving monthly benefits, if you perform work in any capacity for an employer under this Retirement System, you will be subject to the reemployment provisions described below. These provisions may require you to work under an earnings limitation or to reenroll as a contributing member of the Retirement System. You will be subject to reemployment provisions based on the nature of the particular work you perform for a covered employer, regardless of your job classification or your technical employment status (which may include being assigned to work for a covered employer by a private company such as a temporary agency). If you retire with monthly early or service retirement benefits from this System and are reemployed by an employer that participates in this System, the following applies:

Reemployment After Receiving Early Or Service Retirement Benefits. If you retired **before November 1, 2005,** with monthly early or service retirement benefits from the System and are reemployed by an employer that participates in the Teachers' and State Employees' Retirement System, the following applies:

If you are reemployed in a position that requires membership (see "Becoming A Member Of The System" on page 2) in the Teachers' and State Employees' Retirement System, your retirement payment will be stopped on the first day of the month following the month of reemployment and you will again become a contributing member in the month in which you are restored to service.

At any time you are reemployed and become a member of the Retirement System again, your retirement benefits will be greater at the time of your second early/service retirement. If you return to service and contribute for at least three additional years, your service from your first and second periods of employment will be combined and you can change the retirement payment plan and/or beneficiary you selected at the time of your original retirement. If you return to service for less than three years, your first retirement benefit will be reinstated and you will have a choice of either receiving a lump sum refund of contributions or another (generally smaller) monthly benefit from your second period of employment.

If you are reemployed on a part-time, interim, temporary, or contractual basis, or are otherwise engaged to perform services on any basis that does not require membership in the Retirement System, your retirement payment will be stopped if your earnings during the 12-month period immediately following the effective date of retirement or during any calendar year exceed your earnings limitation, which is calculated as the *greater* of the following:

- $28,060, or
- 50% of your compensation, excluding termination payments, reported to the Retirement System during the 12 months of service preceding the effective date of your retirement.

The above amounts are increased on January 1 each year by the percentage increase in the Consumer Price Index, which is a national measure of the increase in the cost of living from one year to the next.

Your retirement payment will be stopped for the remainder of the calendar year on the first day of the month following the month in which your earnings exceed the greater of the two limits stated above. Your retirement payment will start again on January 1 of the year after your benefit is stopped. If your earnings exceed the allowable amount in the month of December, your benefit will not be suspended.

Reemployment which causes suspension of your retirement allowance will also cause the suspension of your health coverage under the retiree group of the State Health Plan. Before accepting such reemployment, you should ask the new employer if you will qualify for continued coverage under the active group of the State Health Plan,

and if you will qualify for the State's contribution toward your coverage. Upon restoration of your retirement allowance, your health coverage under the retiree group will be reinstated the first of the month following the month your retirement allowance is restored.

If you retire on or after November 1, 2005, in addition to the above provisions, the following applies:

A six-month period during which no work is performed for an employer in the Teachers' and State Employees' Retirement System must immediately precede a return to employment. A return to work earlier than six months will revoke your retirement benefit retroactively to your retirement date and all benefits paid to you must be repaid to the Retirement System. Establishing a pre-existing agreement for post-retirement employment with an employer in this System is prohibited and will cause retroactive revocation of retirement benefits, as well.

For additional information, please see "Guidance on 2005 Return to Work Law Changes" on our Web site at www.myncretirement.com.

Reemployment Exception for Classroom Teachers. If you retired **on or after November 1, 2005, but on or before October 1, 2007 with a reduced or unreduced benefit, or if you retire after October 1, 2007 with an unreduced benefit,** and you wish to return to work as a classroom teacher exempt from the earnings limitation, you may do so provided you meet all of the following conditions:

- you have a six-month separation from service immediately preceding your return to employment, during which time no work is performed for an employer in this System in any capacity,
- you return to teach in a public school, in a permanent position, at more than fifty-percent time, and
- you are certified by the Department of Public Instruction to teach exempt from the earnings limitation.

A return to work earlier than six months will revoke your retirement benefit retroactively to your retirement date and all benefits paid to you must be repaid to the Retirement System. Activities such as substitute teaching and part-time tutoring are not permitted during the six-month period. Establishing a pre-existing agreement for post-retirement employment with an employer in the Teachers' and State Employees' Retirement System is prohibited and will cause retroactive revocation of retirement benefits, as well. Unless legislation extends this reemployment exception for classroom teachers, the above provisions are in effect through October 1, 2009.

If you retired **before November 1, 2005,** different provisions apply. Please see "Guidance on 2005 Return to Work Law Changes" on our Web site at www.myncretirement.com for additional information.

Reemployment Effects on Health Coverage. Effective July 1, 2007, reemployment with a State System employer will cause you to be enrolled in the State Health Plan active group coverage if the position would require the employer to pay the State's contribution for your State Health Plan coverage if you were not a retiree. Your active group coverage will continue as long as you remain in that position. Upon termination, you will return to State Health Plan retiree group coverage.

Reemployment After Receiving Disability Payments. If you accept public or private employment, contact the Retirement System for information on provisions that apply to you.

Reemployment Under the Legislative or Consolidated Judicial Retirement Systems. Please contact the Retirement Systems Division for information on provisions that apply to you.

Important Information To Remember

- In all correspondence with the Retirement System, give your Member ID number or last four digits of your Social Security number. With more than 700,000 accounts and many duplicate names, it is essential that your inquiries be identified with this information.
- Keep your beneficiary designation up-to-date. Form 2C, "Designating Beneficiary(ies) for Retirement System Contributions and the Death Benefit," is used for this purpose.
- No application, form, or other type of document can be effective until it has been received and accepted by the Retirement System.
- At your request, the Retirement System will gladly send you any form, application, or other information it has developed for use by members. Please note that many of our forms are available on our Web site at www.myncretirement.com.
- Any error concerning your retirement account should be brought to the attention of the Retirement System, in writing, immediately.
- If you are fully insured, you are guaranteed a monthly retirement income for life from Social Security starting as early as age 62. Social Security also provides medical benefits through Medicare starting at age 65. More information can be obtained from the Social Security Administration. Their toll-free telephone number is 1-800-772-1213.

- Your benefit from the Retirement System and your benefit from Social Security are not paid automatically — you or your beneficiary must apply for them.
- If you become disabled, you should apply for disability benefits from all available sources, including the Disability Income Plan of North Carolina through your employer, and the Social Security Administration.
- Effective July 1, 2007, if you are an elected government official, you may forfeit your right to a monthly benefit from this System if convicted of certain State or Federal offenses involving public corruption.

Disability Income Plan Of North Carolina

Details On:.....Are On Page:

Covered Participants..... 28
- Termination Of Coverage..... 28
- Who Pays For The Plan?..... 28
- Claim Forms..... 28

What Constitutes Disability?..... 28

Salary Continuation — (Waiting Period)..... 29

Short-Term Disability Benefits..... 29
- Eligibility..... 29
- Benefit Amount..... 29
- Salary Continuation During The Short-Term Period..... 30
- Earnings And Trial Rehabilitation..... 30
- Extended Short-Term Disability Benefits..... 30

Long-Term Disability Benefits..... 31
- Eligibility..... 31
- Benefit Amount..... 31
- Salary Continuation During The Long-Term Period..... 32
- Earnings and Trial Rehabilitation..... 33
- Duration Of Benefits..... 33

Other Disability Information..... 34
- Post-Disability Benefit Increases..... 34
- Report Of Earnings..... 34
- Income Tax..... 34

Other Benefits And Restrictions..... 35
- Accrual Of Service Credits..... 35
- Death Benefit..... 35
- Survivor's Alternate Benefit..... 35
- Health Insurance..... 35
- Restrictions..... 35

Administration And Funding..... 36

How to Contact Us.....38

Covered Participants

You are covered under the Disability Income Plan (the Plan) if you are (or become) a State teacher or State employee and you are in service and a member of the Teachers' and State Employees' Retirement System or a participant of the University Optional Retirement Program.

Termination Of Coverage

Your coverage under the Plan will cease upon:

- the termination of your employment as a State teacher or State employee,
- your retirement under the provisions of the Teachers' and State Employees' Retirement System or the University Optional Retirement Program,
- your becoming a beneficiary under the Plan, or
- your death.

Who Pays For The Plan?

If you meet these requirements, you will automatically become a participant of the Disability Income Plan of North Carolina. Your participation in the Plan is free to you as an eligible State teacher or State employee. Your employer will make the necessary contributions on your behalf to provide for your participation in the Plan.

Claim Forms

The appropriate forms to file for benefits are available through the Retirement Systems Division or your employer.

What Constitutes Disability?

Disability under the Plan is the mental or physical incapacity for the further performance of duty (the usual occupation) of a participant; provided that such disability was not the result of terrorist activity, active participation in a riot, committing or attempting to commit a felony, or an intentional self-inflicted injury.

NOTE: The North Carolina General Assembly passed legislation, effective August 1, 2007, which changes certain long-term disability provisions for any member who has less than five years of membership service as of July 31, 2007, but who meets the requirements for long-term disability on or after August 1, 2007. Please see page 32 for additional information.

Salary Continuation — (Waiting Period)

You are not entitled to receive any benefits from the Plan for a period of 60 continuous calendar days from the onset of disability. The 60-day waiting period is determined from the last actual day of service, the day of the disabling event if the disabling event occurred on a day other than a normal workday, or the day succeeding at least 365 calendar days after service as a State teacher or State employee, whichever is later. During this waiting period you may be paid such continuation of compensation by exhausting accumulated sick leave, vacation leave, or some other salary continuation as may be provided by your employer.

During the waiting period, you may return to service for trial rehabilitation for periods of not more than five continuous days of service. Such a return to service will not cause a new waiting period to begin but will extend the waiting period by the number of days of the return to service. Trial rehabilitation during the waiting period is a return to service in any capacity.

Short-Term Disability Benefits

Short-term disability benefits are payable after the conclusion of the waiting period for a period not exceeding 365 calendar days provided you meet the following requirements.

Eligibility

You are eligible if:

- you have at least one year of contributing membership service in the Retirement System earned within the 36 calendar months preceding your disability,
- you are determined to be mentally or physically disabled for the further performance of your usual occupation,
- your disability was incurred at the time of active employment, and
- your disability has been continuous.

Effective July 1, 2007, if your membership service within the 36 calendar months immediately preceding the date of disability was interrupted for military service, you will be eligible for short-term disability benefits, provided all other requirements are met.

Short-term disability benefits are paid by your employer; therefore, you should contact your employer to make application for benefits. The determination of disability and eligibility for short-term benefits is made by your employer and physician. In disputed cases, either you or your employer may request a determination of disability by the Plan's Medical Review Board.

Benefit Amount

The monthly short-term benefit will equal 50% of $^1/_{12}$th of your annual base rate of compensation last payable to you prior to the beginning of the short-term benefit period (for teachers, annual base rate of compensation includes any local supplement or coaches supplement) plus 50% of $^1/_{12}$th of your annual longevity payment, if any, to a maximum of $3,000 per month. The monthly benefit will be reduced by any monthly payments you are entitled

to receive for Workers' Compensation (excluding permanent partial Workers' Compensation awards). The monthly benefit will be further reduced by any monthly payments from the federal Veterans Administration, any other federal agency, or payments made under the provisions of General Statutes section 127A-108 to which you may be entitled if these payments are based on the same disability for which you are receiving Plan benefits.

For the first six months beginning the first of the month after the last month worked, any benefits payable under the Plan are subject to FICA (Social Security) taxes. Payments made more than six months after the last calendar month you worked are not subject to FICA taxes.

Salary Continuation During The Short-Term Period

In lieu of short-term disability benefits, you may elect to continue to exhaust any accumulated sick leave, vacation leave, or any other salary continuation as may be provided by your employer. Such an election will not extend the 365 days duration of the short-term benefit period. An election to receive salary continuation for any part of a given day is in lieu of any short-term benefit otherwise payable for that day. An election to receive a lump sum payout for vacation leave is treated as if you had exhausted the leave and is in lieu of any short-term benefit otherwise payable.

Earnings And Trial Rehabilitation

Earnings are permitted during the short-term disability period not to exceed the amount of the short-term benefit without causing a reduction in your benefit amount. If your earnings exceed the amount of the short-term benefit, your short-term benefit will be reduced on a dollar-for-dollar basis.

Trial rehabilitation during the short-term period is defined as a return to service in the same capacity that existed prior to the disability. Short-term disability benefits cease upon a return to your usual occupation. If you return to service for trial rehabilitation, a new waiting period will not begin unless your return to service exceeds 40 continuous days or a different disability occurs. Any period of rehabilitative employment will not extend the short-term disability period.

Extended Short-Term Disability Benefits

Short-term disability benefits may be extended for as many as 365 days beyond the short-term period in cases where the Plan's Medical Review Board finds that the disability continues to be temporary and is likely to end during the extended period. You must complete an application for extended short-term disability benefits and forward the application and the appropriate medical documentation to the Retirement Systems Division.

Long-Term Disability Benefits

Long-term disability benefits are payable after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as you are permanently disabled provided you meet the requirements described below.

Eligibility

To be eligible:

- you must have at least five years of contributing membership service in the Retirement System earned within the 96 calendar months prior to becoming disabled or upon cessation of continuous salary continuation payments, whichever is later,
- you must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease, or after monthly payments for Workers' Compensation cease (excluding monthly pay for permanent partial benefits), whichever is later,
- you must be certified by the Plan's Medical Review Board to be mentally or physically disabled for the further performance of your usual occupation,
- your disability must have been continuous, is likely to be permanent, and was incurred at the time of active employment,
- you must terminate employment as a permanent full-time teacher or State employee, and
- you are not eligible to receive an unreduced retirement benefit from the Teachers' and State Employees' Retirement System, or if you are a participant of the Optional Retirement Program, you must not meet the age and service requirements to qualify for an unreduced benefit from the Teachers' and State Employees' Retirement System.

The determination of disability and eligibility for long-term benefits will be made by the Plan's Medical Review Board. The Medical Review Board may not determine any person to be eligible for long-term benefits who is in receipt of any payments on account of the same disability that existed upon entrance into membership in the Retirement System.

Benefit Amount

If you had **five or more years of membership service as of July 31, 2007,** the following applies:

During the first 36 months of the long-term disability period, the monthly long-term benefit will equal 65% of 1/12th of your annual base rate of compensation that was last payable to you prior to the beginning of the short-term benefit period (for teachers, annual base rate of compensation includes any local supplement or coaches supplement) plus 65% of 1/12th of your annual longevity payment, if any, to a maximum of $3,900 per month. The monthly benefit will be reduced by any monthly payments you are entitled to receive for Workers' Compensation (excluding permanent partial Workers' Compensation awards) and by any primary Social Security benefits you are entitled to receive including age 62 retirement Social Security benefits, regardless of whether you elect to receive these benefits. The monthly benefit will be further reduced by any monthly payments from the federal Veterans Administration, any other federal agency, or payments made under the provisions of General Statutes section 127A-108 to which you may be entitled if these payments are based on the same disability for which you are receiving Plan benefits. However, the benefit payable will be no less than ten dollars ($10) a month.

After the first 36 months of the long-term disability period, the long-term benefit is calculated in the same manner as described previously except that

the benefit is reduced by an amount equal to a primary Social Security disability benefit to which you might be entitled had you been awarded Social Security disability benefits.

If you had **less than five years of membership service as of July 31, 2007,** and meet the requirements for long-term disability **on or after August 1, 2007,** the following applies:

- Your long-term benefit shall be reduced during the first 36 months of the long-term disability period by an amount equal to the primary Social Security retirement benefit to which you might be entitled should you become age 62 during the first 36 months.
- After 36 months of long-term disability, there will be no further payments from the Disability Income Plan unless you have been approved for and are in receipt of primary Social Security disability benefits.
- The benefit will be payable so long as you remain disabled and are in receipt of a primary Social Security disability benefit until you are eligible for an unreduced service retirement benefit.
- If your long-term benefit is suspended due to your not being in receipt of a primary Social Security disability benefit, it may be restored in the event the Social Security Administration grants 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 this event, the long-term disability benefit shall be restored retroactively to the date the benefit was suspended.

- If you are a **member under the Optional Retirement Program** and meet all eligibility requirements to receive long-term benefits, you shall be eligible to receive benefits for 36 months. After 36 months of long-term disability, there will be no further payments from the Disability Income Plan unless you have been approved for and in receipt of primary Social Security disability benefits. If your long-term benefit was suspended due to your not being in receipt of a primary Social Security benefit, it may be restored in the event the Social Security Administration grants retroactive approval for primary Social Security benefits with a benefit effective date within the first 36 months of the long-term disability period. In this event, the long-term disability benefit shall be restored retroactively to the date the benefit was suspended.

If you have applied and been approved for long-term disability benefits, you may make an irrevocable election to forfeit the long-term disability benefit, including any ancillary benefits, and retire on an early service retirement allowance, or receive a return of accumulated contributions from the Retirement System. Any such election must be made within 90 days from the date of notification of the approval for long-term disability benefits and prior to your receipt of any long-term disability benefit payments.

Salary Continuation During The Long-Term Period

In lieu of long-term disability benefits, you may elect to continue to exhaust any accumulated sick leave, vacation leave, or any other salary

continuation as provided by your employer. Such an election will not extend the first 36 consecutive months of the long-term disability period. An election to receive salary continuation for any part of a given day is in lieu of any long-term benefit otherwise payable for that day. An election to receive a lump sum payment for vacation leave is treated as if you had exhausted the leave and is in lieu of any long-term benefit otherwise payable.

Earnings and Trial Rehabilitation

Earnings do not affect the amount of your long-term disability benefit if you do not exceed the amount of the difference between your net long-term disability benefit and the compensation you were earning when you became disabled. If your earnings exceed this difference, your long-term benefit will be reduced on a dollar-for-dollar basis.

During periods of trial rehabilitation, your long-term disability benefits will be suspended. You meet the definition of being in trial rehabilitation during the long-term disability period when:

- **from July 1, 2002 to July 31, 2007,** you return to service in the same capacity that existed prior to your disability, or
- **on or after August 1, 2007,** you return to service in *any capacity* with *any employer* participating in the Teachers' and State Employees' Retirement System, provided your salary earned is equal to or greater than the salary on which your long-term benefit is based.

If you are unable to continue with reemployment because of the same disability or a new disabling condition, you may be entitled to a restoration of your long-term disability benefit without a waiting period or new short-term disability period when the following conditions are met:

- your return to service was not longer than 36 continuous months, and
- the Plan's Medical Review Board certifies that you are disabled according to the laws that were in effect at the time of your original approval for long-term disability.

If the trial rehabilitation period exceeds 36 continuous months, you will again become a contributing member of the Retirement System; any subsequent disability will be treated as a new condition requiring a new waiting period and a new short-term disability period.

If you had **less than five years of membership service as of July 31, 2007,** and meet the requirements for long-term disability **on or after August 1, 2007,** the following applies: If you are unable to continue in service during trial rehabilitation, and your long-term benefit is restored, you shall continue to receive the benefit as long as you remain disabled until you receive a total of 36 long-term disability payments. Continuation of the long-term disability benefit payments beyond 36 months shall be dependent upon approval for primary Social Security disability benefits.

Duration Of Benefits

When you reach the age and/or service requirements to qualify for an unreduced service retirement allowance from the Retirement System, your long-term benefits will cease and you will commence a service retirement under the Retirement System. If you were a participant of the Optional Retirement Program, you will receive long-term benefits until the time you would have qualified for an unreduced service retirement allowance from the Retirement System had you not elected to be a participant of the Optional Retirement Program.

Other Disability Information

Post-Disability Benefit Increases

Post-disability benefit increases may be granted by the General Assembly by increasing the compensation upon which your short-term or long-term disability benefit is calculated. Your benefit will be reduced by any increases in Social Security benefits, if applicable.

Report Of Earnings

Persons in receipt of benefits under the Plan must annually report earnings to the Plan by completing a "Statement of Income" form which is annually mailed to each Plan recipient. The Plan may require other statements of earnings as are necessary. If you exceed the allowable earnings limitations, you must notify the Plan by the fifth of the month following the month in which the earnings were received of the amount of the excess earnings. Failure to report excess earnings may result in a suspension or termination of benefits.

Income Tax

Benefits from the Plan are subject to federal income tax. Benefits paid to employees who have maintained five or more years of service as of August 12, 1989, are not subject to North Carolina income tax. Employees who do not have five years of maintained retirement service credit as of August 12, 1989, will be required to pay North Carolina income tax on their benefits. For further information regarding the taxation of these benefits, you should contact the Internal Revenue Service, the North Carolina Department of Revenue, your attorney, or your accountant.

Other Benefits And Restrictions

Accrual Of Service Credits

While you are receiving benefits under the Plan, you earn creditable service in the Retirement System for each month you are eligible and paid a benefit under the Plan. Creditable service is not earned if you are in service and earning creditable service for the same month in any State-administered retirement system, or if you were a participant of the Optional Retirement Program. For purposes of calculating a retirement benefit under the Retirement System, your average final compensation will be determined as the higher of your actual compensation or the compensation used in calculating benefits under the Plan as adjusted for increases in post-disability benefits.

Death Benefit

A person in receipt of benefits under the Plan is considered to be in service and covered under the Death Benefit Plan. The payment is equal to the highest 12 months of salary during the 24 months preceding your death or the compensation used in calculating benefits under this Plan as adjusted for percentage increases in post-disability benefits, but no less than $25,000 and no more than $50,000. To be eligible, your death must occur after one year of contributing membership service in the Retirement System. This death benefit does not apply to persons in receipt of benefits who were participants of the Optional Retirement Program or persons in receipt of long-term benefits due to the transition rules.

Survivor's Alternate Benefit

A person in receipt of benefits under the Plan, who is a member of the Teachers' and State Employees' Retirement System, is considered to be in service and covered by the Survivor's Alternate Benefit under the Retirement System provided the person meets the age and/or service requirements as follows:

- reaching age 60 with five years of membership service (age 55 with five years of membership service as a law enforcement officer),
- completing 20 years of creditable service regardless of age, or
- reaching age 50 with 15 years of creditable service as a law enforcement officer.

The beneficiary named to receive a refund of your contributions and interest under the Retirement System (provided you have named only one principal beneficiary who is living at the time of your death) may choose to receive a monthly benefit for life instead of a refund. If you have named two or more persons or your estate as principal beneficiary, the Survivor's Alternate Benefit does not apply. The benefit equals the same monthly amount you would have been entitled to under Option 2 (100% Joint and Survivor) had you retired on the first of the month following your death. If you do not want your beneficiary to have this choice, you should so indicate, in writing, to the Retirement System.

Health Insurance

You are eligible for coverage under the State Health Plan while you are in receipt of benefits under the Plan provided you have at least five years of retirement membership service. If you do not meet the retirement membership service requirement, you may continue coverage by paying the full premium. See page 20 for additional information regarding health coverage.

Restrictions

A person in receipt of benefits from the Plan is not permitted to receive a refund of accumulated contributions or to commence retirement benefits from the Retirement System.

Administration And Funding

Administration

The Retirement System is administered by the Board of Trustees. The Board members are:

Richard H. Moore,
State Treasurer, Chairman

June Atkinson
Norwood G. Clark, Jr.
Joyce H. Elliott
Mark L. Foster
Alfred J. Hackney, Jr.
Shirley E. Harris
Scott Hunter
Harold T. Keen
Timothy H. Keever
Allen C. Meadors
Mark Roberts
Paschal W. Swann
Gloria Upperman

System Assets

The State Treasurer is the custodian of the Plan assets and serves as the Chief Investment Officer.

Equity assets (i.e., common stock, preferred stock, and debentures convertible into common stock) are invested in conjunction with policies adopted by the Investment Advisory Committee. The Committee members are:

Richard H. Moore,
State Treasurer, Chairman

Norwood G. Clark, Jr.
Leigh Hammond
Steve Nelson
Paschal W. Swann

Medical Review Board

The Medical Review Board determines eligibility for disability benefits. The members of the Board are:

Dr. George S. Edwards, Sr.
Dr. Robert H. Fleming
Dr. Ernest B. Page, Jr.
Dr. Bobby Sellers
Dr. Nathaniel L. Sparrow

Future Of The System

The State expects to continue the System indefinitely. However, because future conditions cannot be foreseen, the State General Assembly reserves the right to modify the provisions of the System.

System Documents

This booklet summarizes the main features of the Teachers' and State Employees' Retirement System of North Carolina. The official text governing the operations of the System and the payment of all benefits is found in Chapter 135 of the General Statutes and Title 20 of the North Carolina Administrative Code.

Funded Status

The Retirement System has been labeled as "actuarially sound" because of the consistent use over the years of:

- actuarial assumptions based on experience,
- an approved actuarial funding method, and
- the recognition of all promised benefits in the actuarial liabilities.

Funded Ratio

A generally accepted measure of the soundness of any retirement system is to relate the total assets to the total accrued liabilities. This determines the funded ratio or percentage of the System.

The total of the accrued liabilities is found by adding the total assets and the unfunded accrued liabilities. Shown are the assets and unfunded liabilities for the past several years, as of December 31 of each year. Beside the figures is a graph which shows the funded ratio of the Retirement System (the percentage of the assets to the total accrued liabilities).

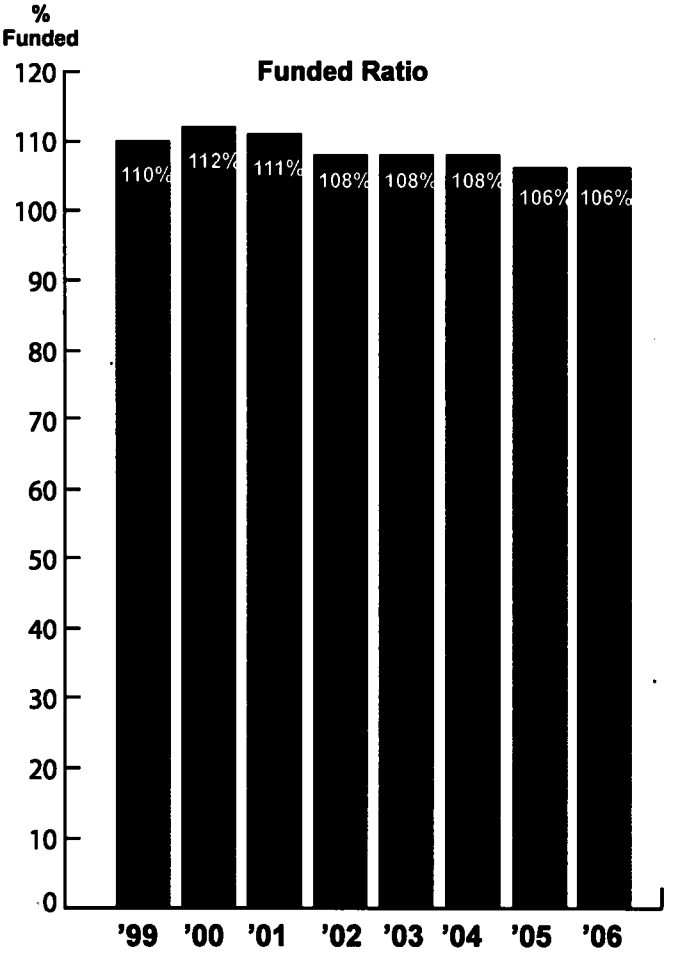
	Assets	Unfunded Accrued Liabilities
2006	$52,420,807,724	$(3,028,900,728)
2005	$49,670,182,206	$(3,045,514,417)
2004	$47,383,509,397	$(3,555,655,121)
2003	$45,117,507,733	$(3,383,806,385)
2002	$43,226,837,217	$(3,362,853,828)
2001	$42,104,086,026	$(4,390,422,826)
2000	$39,773,747,165	$(4,524,977,179)
1999	$36,119,250,376	$(3,332,142,109)

Member Contributions

Members contribute 6% of gross salary each month to the System.

Employer Contributions

For the 2007-2008 fiscal year, employers contribute 7.83% of the gross payroll of members each month to the System for benefits.



How To Contact Us

System Internet Address

www.myncretirement.com

Visit our Internet Web site to learn more about the benefits that are available to you:

- download and complete applications and forms used by the Retirement System,
- download and view *Your Retirement Benefits* handbooks,
- review "Frequently Asked Questions," and
- manage your retirement account online using our ORBIT (Online Retirement Benefits through Integrated Technology) System. You can view your account information, request customized benefit estimates, make edits to your personal information, and much more.

These are some of the options that are currently available to you on our Internet Web site. Please feel free to visit and use this site whenever it may be of assistance to you.

System E-Mail

nc.retirement@nctreasurer.com

System Address

The address of the Retirement System is:

Teachers' and State Employees'
Retirement System
Department of State Treasurer
Albemarle Building
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

System Telephone Number

1-877-627-3287
(toll-free outside of Raleigh area)

919-807-3050
(within local calling distance of Raleigh)

Due to the large volume of calls that are received in the Member Services Section, we recommend that you do not call during the following times:

- Mondays,
- other days between the hours of noon and 2:00 p.m., and
- the day following the mailing of monthly retirement checks.

If you believe that the nature of your inquiry will result in a lengthy conversation or will require research by our staff, we recommend that you submit your questions in writing and we will respond accordingly.

NOTE: The Retirement System provides members who wish to visit our office with one-on-one and group consultations by **appointment only**. Please *call or e-mail our office* to schedule an appointment.

The State Treasurer's Annual Report

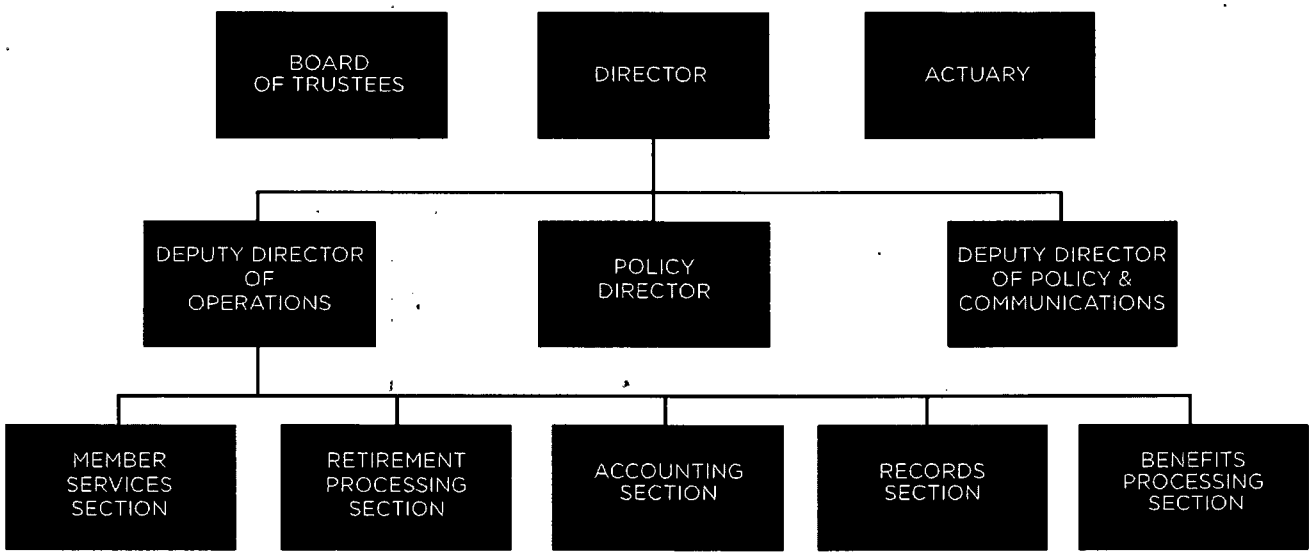
Retirement Systems Division

Retirement Systems Division

Structure

The Retirement Systems Division of the Department of State Treasurer administers the statutory retirement and benefit plans that cover public employees in the State, as authorized by the General Assembly of North Carolina. The administration of the several retirement systems requires a high level of fiduciary responsibility for the employees' trust funds with prudent, honest and efficient use of employees' and taxpayers' contributions.

The purpose of the retirement systems and benefit plans is to recruit and retain skilled employees for a career in public service by providing valuable post-employment benefits, including replacement income at retirement, during disability or for an employee's survivors. The organizational structure herein shows the functional arrangement of the tasks performed in this Division.



Operational Highlights

- Presented recommendations and draft legislation during the 2008 session of the General Assembly that resulted in the enactment of laws to:
  - Provide cost-of-living adjustments equal to 2.2 percent to retirees of the Teachers' and State Employees' Retirement System (TSERS), Consolidated Judicial Retirement System (CJRS) and Legislative Retirement System (LRS) and
  - Increase the monthly benefit payment to beneficiaries of the Firemen's and Rescue Squad Workers' Pension Fund from $167.00 to $170.00 per month.
- Redesigned the Annual Benefits Statement to provide a comprehensive look at members' retirement information, including Social Security benefits, as well as supplemental savings in the NC 401(k) and Deferred Compensation plans.
- Launched the second phase of ORBIT (Online Retirement Benefits through Integrated Technology), enabling active members to have online access to their personal retirement account information 24 hours a day, seven days a week.
- Provided cost-of-living adjustments equal to 2.15 percent to retirees of the Local Governmental Employees' Retirement System (LGERS).
- Processed benefits for 13,451 new retirees.
- Processed refunds for 15,773 former public employees.
- Established approximately 58,228 new active member accounts on ORBIT.

Basic Functions

The four major retirement systems administered by this Division are the:

- Teachers' and State Employees' Retirement System
- Local Governmental Employees' Retirement System
- Consolidated Judicial Retirement System
- Legislative Retirement System

The systems are governed by boards of trustees. The State Treasurer is ex-officio chairman of each board. The board of the Teachers' and State Employees' Retirement System is composed of 14 members, including seven actively working employees or retirees, as well as seven public and appointed members who also serve on the Local Governmental Employees' Retirement System Board. The Local Governmental Employees' Retirement System Board, while legally separate, is composed of the same seven ex-officio or public Teachers' and State Employees' Retirement System members plus seven members representing local governments.

During the 2007-2008 fiscal year, the Board of Trustees of the Teachers' and State Employees' Retirement System was the governing body of the Consolidated Judicial and Legislative Retirement Systems and all of the other programs listed herein, except for the Firemen's and Rescue Squad Workers' Pension Fund and the NC Public Employee Deferred Compensation Fund. The Firemen's and Rescue Squad Workers' Pension Fund is governed by a five-member board of trustees, including actively working employees, volunteers and a member of the public.

During the 2008 session of the General Assembly, the Supplemental Retirement Board of Trustees was created in order to consolidate the administration of the NC 401(k) Plan and the NC Public Employee Deferred Compensation

(457) Plan. This board, composed of nine members, including financial professionals and working and retired state employees, will administer both the NC 401(k) and Deferred Compensation (457) plans. The State Treasurer will be ex-officio chairman of this board.

In addition to the four major retirement systems, the Division is also responsible for the administration of the following programs:

- Firemen's and Rescue Squad Workers' Pension Fund
- Public Employees' Social Security Agency
- Disability Income Plan
- Legislative Retirement Fund
- National Guard Pension Plan
- Teachers' and State Employees' Benefit Trust
- Supplemental Retirement Income Plan
- Public Employee Deferred Compensation Plan
- Registers of Deeds' Supplemental Pension Fund
- Contributory Death Benefit for Retired Members

All retirement systems and other programs administered by this Division are operated on a calendar year basis from January 1 to December 31, rather than the State's fiscal year, except for the Firemen's and Rescue Squad Workers' Pension Fund. For this reason, much of the financial data shown for the Division is for the captioned year ending December 31. Administrative figures, however, are generally collected on a fiscal year basis and are shown here as such. The administrative expenses of the Division are paid from the retirement trust funds.

The Retirement Systems Director and his immediate staff are responsible for the overall operation of the Division and carry out the policies and directives of the State Treasurer and the governing boards. They provide assistance to legislators and committees of the General Assembly, including:

- Drafting proposed legislation and acquiring of actuarial notes for introduced bills.
- Managing action and administrative appeals by individual members of the retirement systems.
- Maintaining a working relationship with associations and organizations of employees and employers.
- Providing information to State agencies, institutions and local governments.

The staff provides assistance to local governments for Social Security coverage and acts as the liaison between the State and the Social Security Administration. The staff also performs planning and research functions and directs special projects.

Retirements Processing Section

The mission of the Retirements Processing Section is to process applications for benefits in a prompt, accurate and efficient manner.

This Section is responsible for the determination of eligibility for monthly retirement allowances and processing payment of benefits for all retirement systems governed by the boards of trustees and administered by this Department. For the period July 2007 through June 2008, 13,451 retirements were processed for payment.

The calculation of service purchase costs under the provisions of the various retirement systems administered by the Division is performed by this Section. The Section performed a total of 5,733 cost and other calculations. During the last fiscal year, 5,637 benefit estimates were generated by the Retirements Processing Section. There was a reduction in the number of requests for benefit estimates compared to last year due to the increasing number of members who generated their own estimates through ORBIT.

Benefits Processing Section

This mission of the Benefits Processing Section is to deliver prompt contribution refunds, disability and death benefits to employees, retirees and their beneficiaries in an effective and efficient manner.

The administration and determination of disability benefits through the Retirement System's Medical Review Board under the provisions of the Disability Income Plan for teachers and State employees, as well as the determination of eligibility for disability benefits from the other retirement systems are incumbent upon this section. The Medical Review Board reviewed approximately 4,457 disability claims during the 2007-2008 fiscal year. Responsibilities of this Section include the calculation and payment of monthly disability benefits as well as the calculation and payment of reimbursements for short-term disability benefits paid by the various employers under the provisions of the Plan. From July 2007 through June 2008, 62 short-term disability reimbursements were issued to employers, totaling $475,854.52.

The various death benefit programs related to the retirement systems and the Separate Insurance Benefits Fund are managed by this Section. Responsibilities include the calculation and payment of death benefits, return of members' contributions, survivor's alternate benefits and other lump sum payments. Approximately 7,302 death reports were received and processed during fiscal year 2007–2008.

This Section also is responsible for the calculation and the payment of returns of accumulated contributions, known as refunds, to terminated employees. A total of 15,773 refunds were processed for the period July 2007 through June 2008.

Accounting Section

The mission of the Accounting/Data Control Section is to provide accurate financial data and on-time benefit payment services in a customer driven environment.

This Section is responsible for maintaining accounting records for the retirement systems and receiving and processing payroll contribution reports from more than 1,120 participating State and local units of government. Contribution information from the payroll reports is electronically posted to the individual accounts for more than 455,000 members.

This Section also is responsible for the administration of the Contributory Death Benefit (CDB), including the notification of eligibility under the Plan, enrollment of members electing coverage and collection of the required contributions. During fiscal year 2007–2008, the Retirement Systems Division held an open enrollment period giving retired members another window of opportunity to sign up for the optional $10,000 benefit. A total of 22,228 CDB enrollments were processed from July 2007 to June 2008.

Brief descriptions of the other functions performed by this Section are as follows:

- Retirees' Health Insurance – Duties pertaining to this program included receiving and processing 60,877 health insurance enrollment applications.
- Direct Deposit Accounts – Activities involved in this area related to the receipt and processing of Electronic Funds Transfer (EFT) account applications and changes to direct deposit accounts. During the fiscal year 2007–2008, approximately 202,036 retirees' benefits were processed through EFT.

Member Services Section

The mission of the Member Services Section is to provide public service employees and employers accurate and timely information and education in a manner intended to advance partnerships and relationships.

This Section handles written correspondence and telephone inquiries with members and employers participating in the Retirement Systems and other benefit programs. The staff responds to a large number of questions about benefits. Accordingly, during 2007-2008 the Section received more than 28,000 letters and e-mails, approximately 268,400 telephone calls through the call center and an additional 23,700 calls handled by the Interactive Voice Response Unit (IVR).

Annual pre-retirement planning seminars are conducted by the staff of this Section, as well as retirement and benefit conferences at the request of employers and employee associations. During the period from July 2007 through June 2008, almost 13,000 members attended 190 employee retirement information sessions. In 2007, employer education focused on four ORBIT introduction sessions in Hickory, Greensboro, Raleigh and Greenville. This extended into an additional 48 summer training sessions and 10 webinars. Total attendance for these sessions is estimated at over 2,200 human resources and benefits representatives from approximately 90 percent of the 1,200 reporting agencies.

All visitors to the Division requiring individual counseling about their benefits are referred to the Member Services Section. Members nearing retirement may call to schedule an appointment with a retirement counselor. During 2007-2008, there were 4,200 visitors with 1,300 members seen by benefit counselors.

Another important function of this Section is coordinating the participation of local government employers electing to become members of the Local Governmental Employees' Retirement System. This involves meeting with local governing bodies, collecting data for transmission to the Systems' consulting actuary, enrolling eligible employees and explaining monthly reporting procedures. Ancillary to this function is assistance to local governments in the adoption of tax shelter and death benefit coverage agreements. During 2007-2008, six local government employers became participants, enrolling their employees in the Local Governmental Employees' Retirement System.

Records Section

The mission of the Records Section is to ensure timely and accurate processing, internal distribution, storage and protection of personal member information for the purpose of delivering benefits.

The Records Section is primarily responsible for the creation, maintenance and storage of files for individuals who are currently, or have been at one time, members of any of the State-administered retirement systems.

The Records Section increased the number of images committed to the system due to the annuity conversion process undertaken during the fiscal year. As a result, this Section now maintains 17.6 million records in an electronic document imaging system. All active and retired member jacketed microfiche records were converted to the imaging system, while all new records, plus updates to existing files, are now automatically processed as digital images.

Significant Accomplishments

Legislation

Prior to the convening of the 2008 session of the General Assembly, the Retirement Systems Director and staff identified all proposals for benefit enhancements and changes recommended by the various associations of educators, employees and retirees. Also identified were measures to enhance administrative ability. Cost estimates for the recommendations were acquired from the Division's consulting actuary. The staff then assisted the State Treasurer and the Retirement Systems' Boards of Trustees in forming their legislative recommendations.

During the 2008 session, the Director and staff provided technical assistance and bill drafting services for the standing Senate and House Committees on Pensions and Retirement and communicated the Boards of Trustees' recommendations. The staff also acquired, as provided by State law, 33 actuarial notes disclosing the fiscal impact of every bill that affected a State-administered retirement systems or pension plan.

In its 2008 legislative recommendations, Treasurer Moore and the Board of Trustees advocated for a 4.1 percent cost-of-living adjustment for retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative Retirement System. The General Assembly modified the recommendation for cost-of-living benefits and also addressed other administrative enhancements recommended by the board, including:

1) providing, effective July 1, 2008, in the Teachers' and State Employees' Retirement System, a 2.2 percent cost-of-living adjustment (COLA) for beneficiaries who commenced retirement on and before July 1, 2007, and for beneficiaries who began retirement with effective dates of August 1, 2007 to June 1, 2008, a prorated portion of the 2.2 percent COLA based on the number of months a retirement allowance was paid;

2) providing, effective July 1, 2008, in the Consolidated Judicial Retirement System, a 2.2 percent COLA for beneficiaries who commenced retirement on and before July 1, 2007, and for beneficiaries who began retirement with effective dates of August 1, 2007 to June 1, 2008, a prorated portion of the 2.2 percent postretirement increase in their allowances based on the number of months a retirement allowance was paid;

3) providing effective July 1, 2008, in the Legislative Retirement System, a 2.2 percent COLA for beneficiaries who commenced retirement on or before January 1, 2008, and for beneficiaries who began retirement with effective dates of February 1, 2008 to June 1, 2008, a prorated portion of the 2.2 percent was paid;

4) increasing, effective July 1, 2008, the monthly benefit payment to beneficiaries of the Firemen's and Rescue Squad Workers' Pension fund from $167.00 to $170.00 per month;

5) creating the Supplemental Retirement Board of Trustees to consolidate the administration of the NC 401(k) Plan and the NC Deferred Compensation (457) Plan, which will administer both the NC 401(k) and Deferred Compensation plans; and,

6) adopting provisions allowing the Department to disclose the names and addresses of retired State employees and school personnel, local governmental employees and community college employees to certain North Carolina-based not-for-profit organizations.

The Board of Trustees governing the Local Governmental Employees' Retirement System enacted policies to:

1) provide, effective July 1, 2008, in the Local Governmental Employees' Retirement System, a 2.15 percent COLA adjustment

for beneficiaries who commenced retirement on and before July 1, 2008, and

2) provide beneficiaries who began retirement with effective dates of August 1, 2007 to June 1, 2008, a prorated portion of the 2.15 percent COLA based on the number of months a retirement allowance was paid.

Communications and Customer Service

The Division is committed to providing timely, effective communication to all members and employers on a wide range of topics. A major project for the year was the redesign of the Annual Benefits Statement to provide active members with a comprehensive look at their retirement future. The *2007 Annual Benefits Statement* included a report on members' retirement accounts and Social Security benefits, as well as savings in the NC 401(k) and Deferred Compensation plans. The updated statement also included a projection of the member's unreduced retirement benefits and a gap analysis showing how much the member would need in retirement.

With the launch of the ORBIT site for active employees, the Division was able to electronically capture and maintain up-to-date mailing addresses of active members. This enabled the Division to mail the *2007 Annual Benefits Statement* directly to members' homes for the first time in the history of the Department.

The Division conducted a series of webinars to educate employers on how to read the newly-designed statement and prepare them for their employees' questions. The webinars were well received with about 400 employers participating in the hour-long interactive information sessions.

Employer manuals and member handbooks describing plan provisions of the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, Consolidated Judicial Retirement System, Firemen's and Rescue Squad Workers' Pension Fund and Legislative Retirement System were revised in January 2008 and updated on the Division's Web page.

The Division also re-launched the employer newsletter, *Retirement Monitor,* a monthly newsletter for public sector human resources and payroll specialists. More than 5,000 state and local human resources and payroll staff are now reached monthly with updates and best practices to help them provide superior customer service to their employees.

In addition, *Legislative Digest*, a synopsis of 2008 legislative changes, was provided to all employing units for the State and Local systems and the Division's association partners and was made available online.

Retirees and active employees also received newsletters communicating the retirement systems highlights and other retirement-related matters. *The Retirement Report*, a bi-annual newsletter to retirees that delivers news regarding changes to retirement laws and policies as well as information about the financial health of the retirement systems, was distributed during 2007-2008. *On the Horizon*, an annual publication to active members was also distributed.

Operational

In October 2007, the Division launched the second phase of ORBIT. The employers' reports and active members' information now reside in the Web-based system. As a result, active members have online access to their personal retirement account information 24 hours a day, seven days a week. Active members have the ability to view their years of service credit, view designated beneficiaries and calculate benefit estimates.

ORBIT also serves as a central repository for all Retirement Systems Division information and serves as an operating platform for retirement processing for the 820,000 members – active employees, retirees and beneficiaries.

Transitioning to ORBIT enabled the Division to shut down the legacy mainframe systems that were relied on for more than 30 years. ORBIT provides flexibility to keep pace with the growth of the membership population by enabling the Division to collect more information from retirees and active members, improve accuracy of information stored and provided and enhance response time to inquiries.

The North Carolina Retirement Systems also held open enrollment for the Contributory Death Benefit (CDB) from February 1 to May 31, 2008. Typically, retired members of the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative Retirement System have 60 days from the date of retirement to elect coverage under the Contributory Death Benefit. In 2007, the General Assembly passed legislation that made provisions for open enrollment for the CDB, a one-time $10,000 death benefit. This open enrollment gave retirees another window of opportunity to sign up for the optional benefit. A total of 22,228 CDB enrollments were processed during the 2007-2008 fiscal year, an increase of 600 percent from the previous year's enrollments.

In the Local Governmental Employees' Retirement System, six local governments elected to become participating employers with the System. The participation of these employers involved the staff of the Member Services Section meeting with their governing bodies and employees, acquiring pre-evaluations from the consulting actuary to determine an employer's contribution rate and providing all legal documents and agreements for their execution.

The Division continues to receive numerous verbal and written requests for information, from both attorneys and the general public, as to how the retirement law impacts individual members and their spouses with respect to the equitable distribution of their retirement income. Attorneys are required to submit proposed Domestic Relations Orders to the Retirement Systems for review by the Attorney General's office before any payment of retirement income can be made to a member's ex-spouse in a divorce situation. The office continues to process these requests on a timely basis, thereby providing financial certainty to all parties involved.

The Retirement Systems and Trust Funds

Actuarial Valuation

The actuarial valuation is prepared by an actuary to assess the funding progress of a retirement system and to determine the contribution rates necessary to sustain the system. An actuarial valuation is an inventory of the assets and liabilities of a retirement system at a specific point in time. Information collected covers all of the active (both in-service and terminated) members and all of the retired members and other beneficiaries who are receiving benefit payments. In this way, everyone who has been promised a benefit from the system is included in the actuarial calculations to determine the present value of the system's liabilities. These liabilities are then compared to the system's assets, and calculations are made to determine what contribution rate is needed to fund the uncovered liabilities in the time period originally established. Annual valuations are made to permit gradual changes in the contribution level and/or funding period and keep the funding on a proper course.

The annual valuation is also used by the actuary to compare actual separation, compensation and investment experience with the actuarial assumptions used in the valuation of the liabilities of the system. The actuarial valuation balance sheets for each retirement system are included with the tables that follow.

Actuarial Assumptions

The economic assumptions used for the actuarial valuation of all retirement systems are an interest rate of 7.25 percent per year and average rates of salary increase of about 6 percent per year, varying at different ages. The assumed rates for mortality, withdrawals, disabilities and service retirements are based on actual past experience.

The asset valuation method is based on a modified market related value. The retirement systems described in this report, except the Legislative Retirement System and Consolidated Judicial Retirement System, are being funded on a full actuarial reserve basis and use the entry age normal cost method as the actuarial cost approach.

Under the entry age normal cost method, the normal contribution percentage rate is calculated on the basis of the adopted actuarial assumptions as the level percentage of the compensation of the average new member, which, if contributed throughout the entire period of active service, would be sufficient, together with his/her contributions, to support all the benefits payable on his/her account. The accrued liability is the difference between total liabilities and the present value of future normal cost contributions and the members' future contributions.

All experienced gains and losses are reflected in the amount of the unfunded accrued liability and thereby affect the period of liquidation, except in the Local Governmental Employees' Retirement System, where they are reflected in the normal contribution rate. The Legislative Retirement System and Consolidated Judicial Retirement System are also being funded on a full actuarial reserve basis but use the projected unit credit cost method with unfunded accrued liability as the actuarial cost approach.

Funding of the Systems

All retirement systems are joint contributory, defined benefit plans with contributions made by both employees and employers. Each active member contributes 6 percent of his/her compensation for creditable service by monthly payroll deduction. The only exception to this member contribution rate is the Legislative Retirement System to which each active member contributes 7 percent of his/her compensation.

Employers make monthly contributions based on a percentage rate of the members' compensation for the month. Employer contribution rates are actuarially calculated.

Funding Status of Systems

The consistent use of conservative actuarial assumptions and an approved actuarial cost method over the years since the establishment of the retirement systems and the recognition of all promised benefits in the actuarial liabilities have resulted in retirement systems which can be labeled as "actuarially sound." In fact, North Carolina's pension fund was named the second strongest in the nation for the third year in a row by Standard & Poor's in February 2008. A simple measure for determining the funded status of a system is to relate the total present assets to total accrued liabilities to determine a funded ratio.

The total accrued liabilities are found by adding the assets and the unfunded accrued liabilities. For purposes of comparison, the funded ratios for the major retirement systems are illustrated in Chart 1. When the ratio equals 100 percent, a system is considered to be "fully funded" on a current basis.

Chart 1: Funded Ratio of the Retirement Systems

TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM	LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM	CONSOLIDATED JUDICIAL RETIREMENT SYSTEM
2000 - 112.8%	2000 - 99.3%	2000 - 108.4%
2001 - 111.6%	2001 - 99.3%	2001 - 108.9%
2002 - 108.4%	2002 - 99.4%	2002 - 107.4%
2003 - 108.1%	2003 - 99.3%	2003 - 107.6%
2004 - 108.1%	2004 - 99.3%	2004 - 108.6%
2005 - 106.5%	2005 - 99.4%	2005 - 107.6%
2006 - 106.1%	2006 - 99.5%	2006 - 107.3%
2007 - 104.7%	2007 - 99.5%	2007 - 102.9%

Teachers' and State Employees' Retirement System of North Carolina (TSERS) N.C.G.S. 135-1 Through 135-18.5

The Teachers' and State Employees' Retirement System (TSERS) has the most assets and largest membership of the retirement systems administered by the Division. Created by the General Assembly effective July 1, 1941, TSERS provides benefits to all full-time teachers and State employees in all public school systems, universities, departments, institutions and agencies of the State.

This System began operations with a membership of 42,878 teachers and State employees, and with appropriations from the State of $1,838,000. The membership has grown over the years in proportion to the growth in size and complexity of the public schools and State government. The active membership at December 31, 2007, was 338,490, and, in addition, there were 69,420 inactive members and 145,855 retired members and beneficiaries of deceased retired members. Invested assets at market value amounted to about $58.5 billion.

The distribution of investments of the assets of TSERS as of December 31, 2007, was:

Long-Term Investment Fund:	$ 20,294,814,474
Short-Term Investment Fund:	$ 118,389,517
Real Estate Investment Portfolio:	$ 3,307,962,812
Equity Investment Portfolio:	$ 32,584,924,977
Alternative Investment Portfolio:	$ 2,166,300,703
TOTAL:	**$58,472,392,483**

Operations of TSERS during calendar year 2007 resulted in total receipts of $5,790,421,309 and total expenditures of $2,900,055,094. Chart 2 presents the distribution of revenues by source and expenditures by purpose.

The latest Actuary's Valuation Balance Sheet for TSERS, as of December 31, 2007, is shown in Table T10. Based on the latest actuary's report, the General Assembly set the employer contribution rate at 3.05 percent of covered payroll, effective July 1, 2007 and at 3.36 percent of covered payroll, effective July 1, 2008. On this basis, the total of employee and employer rates of contribution is adequate to fund all future benefits presently authorized, based on current service, and to fund, over a period of nine years from January 1, 2008, the remaining accrued liability for past service.

Chart 2: Teachers' and State Employees' Retirement System of North Carolina Year Ended December 31, 2007

SOURCES OF FUNDS		
Employee Contributions:	$797,724,190	(13.78%)
Employer Contributions:	$388,477,830	(6.71%)
Other Income:	$3,622,875	(.06%)
Investment Income:	$4,600,596,414	(79.45%)
APPLICATIONS OF FUNDS		
Retiree Benefits:	$2,808,153,167	(48.50%)
Refunds:	$76,907,353	(1.33%)
Administrative Expenses:	$14,963,775	(.26%)
Other Expenses:	$30,799	(-)
Addition to Reserves for Future Benefits:	$2,890,366,215	(49.91%)

Local Governmental Employees' Retirement System of North Carolina (LGERS) N.C.G.S. 128-21 Through 128-38

The Local Governmental Employees' Retirement System (LGERS) is maintained for the employees of cities, towns, counties, boards, commissions and other entities of local government in North Carolina.

Because participation by local governments is voluntary, the operation of LGERS is dependent upon the acceptance and continuing financial support of the governing bodies and employees of local governments. Approval and acceptance are evidenced by the fact that, as of December 31, 2007, a total of 874 cities, towns, counties and local commissions were participating in LGERS.

This System began operations in 1945 with 18 participating local governments, 2,102 members and assets of $178,053. The active membership, as of December 31, 2007, was 127,959. In addition, there were 24,907 inactive members and 42,408 retired members and beneficiaries of deceased members. Invested assets at market value amounted to about $17.8 billion.

The distribution of investments of the assets of LGERS as of December 31, 2007 was:

Long-Term Investment Fund:	$ 6,189,793,402
Short-Term Investment Fund:	$ 36,150,206
Real Estate Investment Portfolio:	$ 1,008,908,281
Equity Investment Portfolio:	$ 9,938,201,401
Alternative Investment Portfolio:	$ 660,708,371
TOTAL:	**$17,833,761,661**

Operations of LGERS during the calendar year 2007 resulted in total receipts of $1,939,607,196 and total expenditures of $723,233,218. Chart 3 presents the distribution of revenues by source and expenditures by purpose.

The latest Actuary's Valuation Balance Sheet for LGERS, as of December 31, 2007, is shown in Table T11. Based on the actuary's latest report, the Board of Trustees set the employer normal contribution rate at 4.80 percent of covered payroll for general employees and at 5.27 percent of covered payroll for law enforcement officers, effective July 1, 2008. The accrued liability rate, if any, varies with each employing unit depending on the amount of prior service that was awarded to the members.

In accordance with the provisions of the legislation that caused the merger of the Law Enforcement Officers' Retirement System and the Local Governmental Employees' Retirement System on January 1, 1986, the normal contribution rates are separate for each of the two groups of employees while the accrued liability rate is the same.

Chart 3: Local Governmental Employees' Retirement System of North Carolina Year Ended December 31, 2007

SOURCES OF FUNDS		
Employee Contributions:	$301,094,054	(15.52%)
Employer Contributions:	$252,165,044	(13.00%)
Other Income:	$99,880	(.01%)
Investment Income:	$1,386,248,218	(71.47%)
APPLICATIONS OF FUNDS		
Retiree Benefits:	$671,389,752	(34.62%)
Refunds:	$46,630,880	(2.40%)
Administrative Expenses:	$5,209,117	(.27%)
Other Expenses:	$3,468	(-)
Addition to Reserves for Future Benefits:	$1,216,373,979	(62.71%)

Consolidated Judicial Retirement System of North Carolina (Judicial System) N.C.G.S. 135-50 Through 135-72

The Consolidated Judicial Retirement System was created by the 1983 session (Regular Session, 1984) of the General Assembly, effective January 1, 1985. This System was formed by combining the previously existing Uniform Judicial, Uniform Solicitorial and Uniform Clerks of Superior Court Retirement Systems. The Courts Commission was responsible for the design of the benefit structure of the previous systems, which was carried forward to the new consolidated system.

The membership of the Judicial System is comprised of the elected judges and justices, district attorneys, clerks of superior court of the General Court of Justice and public defenders. As of December 31, 2007, there were 548 active members; 54 inactive members and 482 retired members and beneficiaries of deceased members. The invested assets at market value were about $457 million.

The distribution of the investments of the Judicial System as of December 31, 2007, was:

Long-Term Investment Fund:	$ 158,023,674
Short-Term Investment Fund:	$ 2,660,486
Real Estate Investment Portfolio:	$ 25,757,143
Equity Investment Portfolio:	$ 253,719,469
Alternative Investment Portfolio:	$ 16,867,698
TOTAL:	**$ 457,028,470**

Operations of the Judicial System during the calendar year 2007 resulted in total receipts of $49,641,685 and total expenditures of $25,640,466. Chart 4 presents the distribution of revenues by source and expenditures by purpose.

The latest Actuary's Valuation Balance Sheet for the Judicial System, as of December 31, 2007, is shown in Table T12. Based on the actuary's latest report, the General Assembly set the employer contribution rate at 13.21 percent of covered members' payroll, effective July 1, 2008. On this basis, the total number of member and employer rates of contribution is more than adequate to fund all future benefits present authorized based on current service.

Chart 4: Consolidated Judicial Retirement System of North Carolina Year Ended December 31, 2007

SOURCES OF FUNDS		
Employee Contributions	$5,568,619	(11.22%)
Employer Contributions	$8,224,364	(16.57%)
Other Income	$4,301	(.01%)
Investment Income	$35,844,402	(72.20%)
APPLICATIONS OF FUNDS		
Retiree Benefits	$25,474,815	(51.32%)
Refunds	$9,791	(.02%)
Administrative Expenses	$39,885	(.08%)
Other Expenses	$115,974	(.23%)
Addition to Reserves for Future Benefits	$24,001,220	(48.35%)

Teachers' and State Employees' Benefit Trust (Benefit Trust) N.C.G.S. 135-5(l); 143-166.20; and 143-166.60

The Benefit Trust was established January 1, 1980, by the Board of Trustees of the Teachers' and State Employees' Retirement System after enabling legislation was enacted in the 1979 session of the General Assembly. The Board of Trustees of the Local Governmental Employees' Retirement System elected to become a participating affiliate in the Trust on the same date. The purpose of the Benefit Trust is to provide group death benefits for members of these two retirement systems. Formerly, identical type death benefits were provided directly by these retirement systems.

All contributions to fund the death benefits plans are held separate and apart from any pension or retirement funds. The funding method adopted for the Benefit Trust is one year term cost. In 2007, the employer contribution rate to fund this benefit for members of the Teachers' and State Employees' Retirement System was 0.16 percent of covered payroll. The employer contribution rate for members of the Local Governmental Employees' Retirement System is actuarially determined and varies among employers.

The Benefit Trust further includes the Separate Insurance Benefits Plan for State and Local Governmental Law Enforcement Officers. The Plan provides additional death benefits to active and retired law enforcement officers and additional accident and sickness insurance coverage for law enforcement officers. These benefits were funded by a $1.00 cost-of-court assessment in each criminal case conviction in the State. This funding source ceased June 30, 2003.

Additionally, the Benefit Trust includes the Retiree Death Benefit Plan. This plan is funded by participant contributions. Effective July 1, 2007, the benefit is $10,000 after 24 months of contributions. If a participant's death occurs before 24 months of contributions, the benefit is limited to a refund of contributions plus interest.

Chart 5 presents the distribution of revenues by source and expenditures by purpose. The number of deaths and amounts of benefit payments, according to member group, during 2007 were:

Death Benefit Payments Calendar Year 2007

RETIREMENT SYSTEM MEMBERSHIP	NUMBER OF PAYMENTS	PAYMENT AMOUNT
Teachers' and State Employees'	606	$21,426,941
Local Governmental Employees'	157	$5,334,100

Chart 5: North Carolina Teachers' and State Employees' Benefit Trust Year Ended December 31, 2007

SOURCES OF FUNDS		
Local Governmental Employees Retirement System Death Benefit	$4,281,067	(7.85%)
Legislative Death Benefit	$45,000	(.08%)
Retirees' Death Benefit	$10,502,727	(19.26%)
Teachers' and State Employees' Retirement System Death Benefit	$20,737,029	(38.05%)
Investment Income	$18,952,981	(34.76%)
APPLICATIONS OF FUNDS		
Local Death Benefits Paid	$5,334,100	(9.78%)
Death Benefits and Insurance Paid SIF	$940,555	(1.73%)
Administrative Expenses	$359,977	(.66%)
Retiree Death Benefits Paid	$10,860,609	(19.92%)
State Death Benefits Paid	$21,426,941	(39.30%)
Legislative Death Benefit	$45,000	(.08%)
Addition to Reserves for Future Benefits	$15,551,622	(28.53%)

Firemen's and Rescue Squad Workers' Pension Fund (Pension Fund) N.C.G.S. 58-86-1 Through 58-86-90

The Firemen's and Rescue Squad Workers' Pension Fund (Pension Fund) was created by the General Assembly in 1959 to provide benefits for certified firemen. The statutes were amended to include certified rescue squad workers beginning January 1, 1982. Both volunteer and paid personnel are included in the membership. Funded by an initial appropriation of $235,000, retroactive benefit payments amounting to $210,700 were made to 362 retirees during August 1962 to cover all benefits due and payable since July 1, 1961. As of June 30, 2008, the active membership of the fund was 36,160, while the number of retired members was 10,509. Invested assets at market value amounted to about $319.20 million.

The distribution of the investment of the assets as of June 30, 2008 was:

Long-Term Investment Fund:	$	118,596,550
Short-Term Investment Fund:	$	2,404,282
Real Estate Investment Portfolio:	$	20,690,758
Equity Investment Portfolio:	$	162,279,531
Alternative Investment Portfolio:	$	15,185,796
TOTAL:	**$**	**319,156,917**

Operations of the Pension Fund during the 2007 fiscal year resulted in total receipts of $4,826,244 and total expenditures of $22,401,635. Chart 6 presents the distribution of revenues by source and expenditures by purpose.

The latest Actuary's Valuation Balance Sheet, as of June 30, 2008, is shown in Table T13. Based on the latest actuary's report, the General Assembly appropriated $9,458,957 for the 2007-2008 fiscal year. The yearly appropriation will fund all future benefits, based on current service, and will fund, over a period of nine years from June 30, 2008, the remaining accrued liabilities for past service.

Chart 6: Firemen's and Rescue Squad Workers' Pension Fund Year Ended June 30, 2008

SOURCES OF FUNDS		
Appropriation	$8,733,957	(30.36%)
Member Contributions	$2,459,738	(8.55%)
Reduction in Reserves for Future Benefits	$17,575,390	(61.09%)
APPLICATIONS OF FUNDS		
Pension Benefits	$20,869,033	(72.54%)
Refunds	$347,881	(1.21%)
Administrative Expenses	$1,184,720	(4.12%)
Investment Loss	$6,367,451	(22.13%)

Retirees' Health Premiums Funds

This fund is used as a conduit of transferring money from employers to pay individual coverage costs of retirees' health insurance. This coverage is under the State's health plan. Retirees from the Teachers' and State Employees', Consolidated Judicial and Legislative Retirement Systems are eligible for coverage. Legislation allows selected employers in the Local Governmental Employees' Retirement System to participate in the Retiree Health Premiums Fund. The method of collecting the employers' payments is a surcharge on active members' payroll payable with the employer contribution rate to the affected retirement system.

Financial Information for 2007

Beginning Fund Balance:	$ 222,419,894
Additions:	
- Employer Contributions:	$ 560,255,388
- Investment Income:	$ 10,866,981
Deductions:	
- Health Premiums Paid:	$ 496,176,181
- Administrative Expense:	$ 189,008
Ending Fund Balance:	**$ 297,177,074**

Legislative Retirement Fund (Fund) N.C.G.S. 120-4.1 Through 120-4.2

The Fund was created by the 1969 session of the General Assembly as a retirement plan for members and elected officers of the North Carolina General Assembly. The Fund was abolished, prospectively, by the 1973 session (second session 1974). The abolishing act preserved the vested and inchoate rights of the members in the Fund so that all members and former members of the General Assembly, who had qualified by virtue of service as of 1974, are still in receipt of monthly allowances or may apply for and receive monthly allowances at age 65.

In the year ended December 31, 2007, there were 19 former members and officers of the General Assembly in receipt of allowances with a cost of $27,900. The cost is funded by a contribution of 5 percent of compensation paid by members at retirement and an annual General Fund appropriation made to the General Assembly. The Fund is not operated as a retirement fund, but as an expendable trust fund.

Legislative Retirement System N.C.G.S. 120-4.8 Through 120-4.29

The Legislative Retirement System was created by the 1983 session of the General Assembly as a retirement plan for members of the General Assembly. The membership also includes:

1) members who were vested or had maintained contributions in the Legislative Retirement Fund;

2) those retirees receiving a benefit from the Legislative Fund who elect to transfer to the Legislative Retirement System.

As of December 31, 2007 the System had 170 active members, 86 inactive members and 265 retired members. Assets on that date totaled $33,226,776. Operations of the System during calendar year 2007 resulted in total receipts of $2,894,590 and disbursements of $1,866,762.

Based on the latest actuarial report, the employer contribution rate was set by the General Assembly at 0.00 percent of covered payroll effective July 1, 2008. On this basis, the total of employee and employer rates of contribution is adequate to fund all future benefits presently authorized.

Disability Income Plan N.C.G.S. 135-100 Through 135-113

The Disability Income Plan of North Carolina was created in 1987 by the North Carolina General Assembly with an effective date of January 1, 1988. This plan replaced the former provisions for disability retirement under the Teachers' and State Employees' Retirement System and replaced the benefits provided under the former Disability Salary Continuation Plan.

The purpose of this plan is to provide equitable replacement income for eligible teachers and State employees who become temporarily or permanently disabled for the performance of their duty prior to retirement. Based on the latest actuarial report, the General Assembly set the employer contribution rate to fund this benefit at 0.52 percent of the covered payroll of the members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program, effective July 1, 2007.

The following are certain statistics relating to the number of disabled members, number of new claims, employer contributions, investment earnings and amount of benefit payments during the calendar years 2006 and 2007.

Disability Income Plan Statistics
Calendar Years 2006 and 2007

	2006	2007
Number of Disabled Members	5,902	6,072
New Claims During the Year	923	897
Employer Contributions	$68,824,262	$73,342,244
Investment Income	$10,822,041	$20,944,888
Amount of Benefit Payments	$58,004,719	$66,462,928

Public Employees' Social Security Agency (Social Security Agency) N.C.G.S. 135-19 Through 135-26

The Social Security Agency administers the State's responsibility under the Social Security Agreement between the State of North Carolina and the United States Secretary of Health and Human Services. This Agreement was entered into on July 16, 1951, and executed pursuant to authority in Section 218 of the Federal Social Security Act and Article 2, Chapter 135, of the General Statutes of North Carolina.

The provisions of the Agreement require the Social Security Agency to provide the mechanics of coverage for the State and its qualified political subdivisions and act as a liaison between the State and the Social Security Administration.

National Guard Pension Plan (Guard Plan) N.C.G.S. 127A-40

The National Guard Pension Plan (Guard Plan) was transferred to the Department of State Treasurer for payment of monthly benefits by the 1979 session of the General Assembly, effective July 1, 1979. This Division pays allowances based on the certification of eligibility of former National Guardsmen by the Secretary of the Department of Crime Control and Public Safety. The payments of benefits are funded by State General Fund appropriations by the General Assembly. As of December 31, 2007, there were 3,130 beneficiaries in receipt of monthly allowances from the Guard Plan at a cost that calendar year of $4,981,747.

The 1983 session of the General Assembly enacted legislation, effective July 1, 1983, creating a trust fund for financing National Guard Plan payments and requiring that the Plan be maintained on a generally accepted actuarial basis. Based on an actuarial study after passage of this legislation, the June 1984 session appropriated $1,717,977 to begin actuarial reserve funding. The funding appropriated for 2007-2008 was $7,007,443.

Registers of Deeds' Supplemental Pension Fund N.C.G.S. 161-50 Through 161-50.5

The Registers of Deeds' Supplemental Pension Fund was created by the 1987 session of the General Assembly for the purpose of providing a supplement to the Local Governmental Employees' Retirement System benefits for Registers of Deeds. The stated purpose of the Act was to attract the most highly qualified talent available within the State to that county office.

In October 1987, each county board of commissioners began remitting monthly to the Department of State Treasurer an amount equal to 4.5 percent of the receipts collected pursuant to Article 1 of Chapter 161 of the General Statutes for deposit to the credit of the Register of Deeds' Supplemental Pension Fund. Effective July 1, 2007 this funding was reduced to 1.5 percent. As of December 31, 2007, the Fund had total assets in the amount of $34,416,916.

Benefits from the Fund became payable beginning July 1, 1988. For the year ending December 31, 2007, the Fund paid total benefits in the amount of $1,061,975.

Supplemental Retirement Income Plan of North Carolina (401(k) Plan) N.C.G.S. 135-90 Through 135-95; 143-166.30; and 143-166.50

The 1983 session (Regular Session, 1984) enacted enabling-type legislation creating the State's Internal Revenue Code Section 401(k) Plan effective as of January 1, 1985. The Plan is a voluntary savings/investment program designed to supplement members' replacement income in retirement. The Plan is governed jointly by the State Treasurer and a Board of Trustees composed of members of the Boards of Trustees of the Teachers' and State Employees' and Local Governmental Employees' Retirement Systems.

Prudential Retirement, the Plan's third-party administrator, is responsible, under the Plan document adopted by the Board and the terms of the contract with the Board, for all aspects of operating the Plan. This responsibility includes communications, record-keeping and monitoring investment products.

The Plan's number of participating members rose from 204,735 members as of June 30, 2007, to 213,400 members as of June 30, 2008, for an increase of 4.2 percent. Contributions by employers during this fiscal year totaled $159,537,288 while salary deferred contributions by members were $241,291,987. The total assets at market value of the Plan decreased by 1.72 percent to $4,148,011,855.

Under the current contract, members may select from a stable value fund and eight mutual funds. As of June 30, 2008, 28.2 percent of the assets were invested in the Stable Value Fund and 71.8 percent were invested in the mutual funds. In addition, $35,655,682 was invested in the mutual funds that were previously offered in the Plan and the outstanding loan balances totaled $183,464,954.

The North Carolina Public Employee Deferred Compensation Plan N.C.G.S. 143B-426.24

The North Carolina Public Employee Deferred Compensation (457) Plan was established by its Board of Trustees on Executive Order from the Governor in 1974. The Plan is a voluntary tax-deferred savings/investment program designed to supplement members' replacement income in retirement. The Plan is governed by its Board of Trustees; the State Treasurer is the chairperson of the Board.

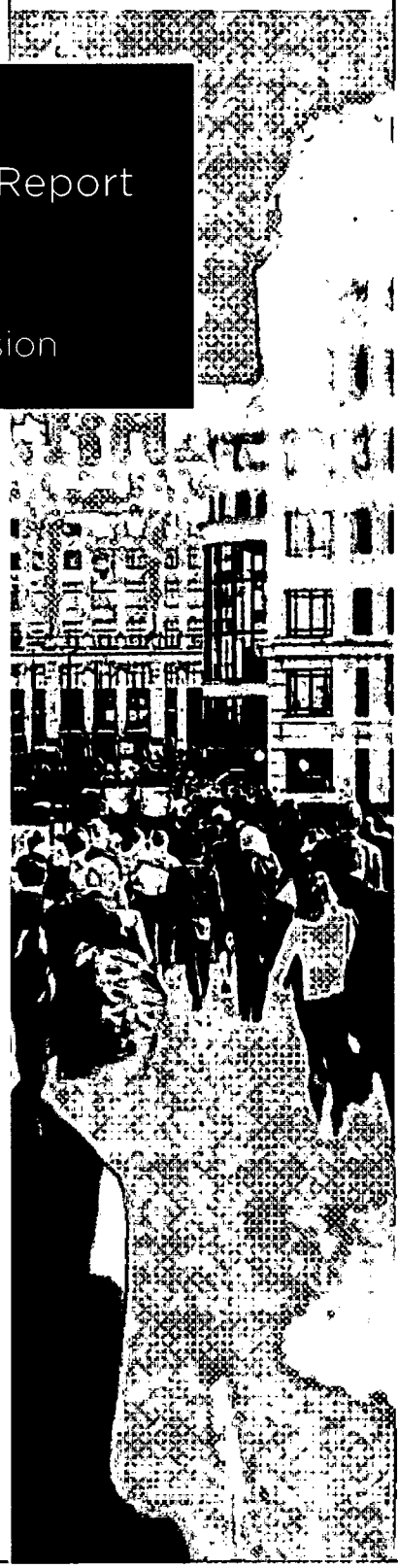
Great-West Retirement Services is the Plan's third-party administrator and is responsible under the Plan document adopted by the Board and the terms of the contract with the Board for most aspects of operating the Plan, including communications and record-keeping.

As of June 30, 2008, the Plan's number of participating members was 29,968. Contributions during this fiscal year totaled $41,105,802, and the total assets at market value of the Plan were $705,784,807.

Under the current contract, members may select from 19 investment options. As of June 30, 2008, 7.5 percent of the assets were invested in one of the five fund-of-funds options, 42.1 percent were invested in the fixed and bond funds and 50.4 percent were invested in the mutual funds. The outstanding loan balances as of June 30, 2008, totaled $6,136,695.

The State Treasurer's Annual Report

Investment Management Division



Investment Management Division

Structure

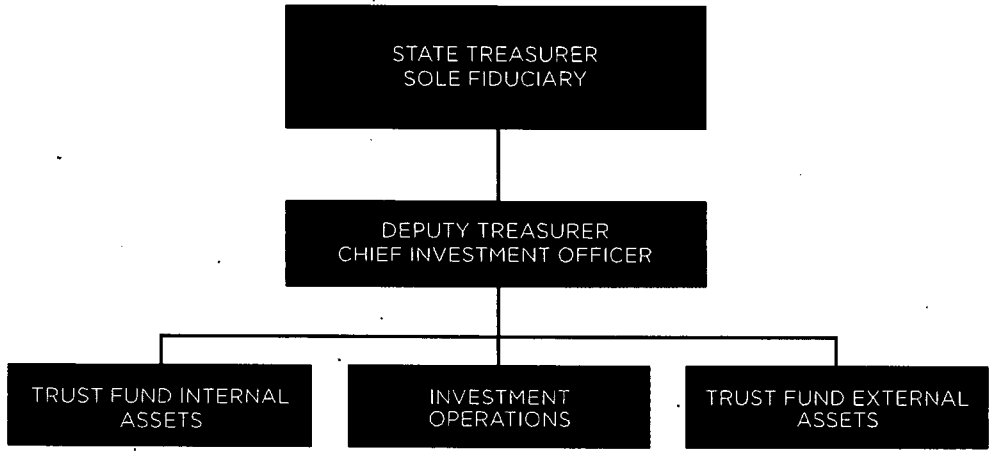
The Investment Management Division serves as the investment arm for the Department of State Treasurer. The Division manages:

1) The combined assets of the North Carolina Retirement Systems, referred to as the Trust Fund Investment Program ("the Trust Fund").
2) The assets of the Cash Management Program.
3) The ancillary investment programs as authorized by the General Assembly.

The State Treasurer administers both the Cash Management and Trust Funds Investment programs. The Treasurer is directed by statute to "establish, maintain, administer, manage and operate" investment programs for all funds on deposit, pursuant to the applicable statutes. In doing so, the Treasurer "shall have full power as a fiduciary" and shall manage the investment programs so assets "may be readily converted into cash as needed."

At the fiscal year closing June 30, 2008, total assets of the Trust Fund Investment Program, Cash Management Program and ancillary investment programs were $85.9 billion. Assets of the Trust Fund Investment Program accounted for 84.2 percent of this amount, assets of the Cash Management Program accounted for 13.8 percent and ancillary programs comprised 2.0 percent.

This total represents the aggregate assets of seven retirement systems, various other trust funds and the State's General and Highway Funds. In establishing the comprehensive management program, the State Treasurer, utilizing a professional investment staff, has developed an investment strategy for each portfolio that recognizes the guidelines of the governing General Statutes and provides appropriate diversification.



Investment Objectives

Cash Management Program

The Cash Management Program's objective is to maximize income consistent with the principals in preservation of capital and liquidity. Prudence in discharging this fiduciary obligation requires that all investments be reviewed continuously to ensure recognition of opportunities in the secondary markets that may improve the quality and/or income stream.

Trust Funds Investment Program

The Trust Funds Investment Program's objective is to generate returns that match or exceed those of the appropriate benchmarks on a trailing three-year basis, thereby assisting in maintaining actuarially sound funding levels for the retirement system assets (the dominant participants) while maintaining the necessary diversification.

Operating Policy

In all transactions executed for any investment program managed by the State Treasurer, the objective is to transact such business in the best interest of the beneficial owners of the trusts' assets.

Within the Trust Fund, assets are divided into different classes of investments:

Portfolio	Investment Mandate	Examples	Managed
Short-Term Investment Fund	Highly Liquid Money Market Instruments	Treasuries, Agencies, Short-Term Corporate Issues	Internally
Long-Term Investment Fund	Longer Term Investments	Investment Grade Corporate Securities, Treasuries, Agencies, GNMAs	Internally
Equity Investment Portfolio	Equity Securities	Fiduciary Relationships with experienced investment advisors	Externally
Real Estate Investment Portfolio	Real Estate	Limited Partnerships managed by experienced real estate advisors	Externally
Alternative Investment Portfolio	Private Equity; Hedge Funds	Limited Partnerships managed by experienced private equity advisors, Hedge Fund of Funds	Externally

Overall Fund Strategy

The tradition of conservative fiscal management has served North Carolina's public workers and taxpayers well through the years. The Trust Fund continues that tradition today with a heavy allocation in fixed income assets (bonds) combined with minimal exposure to high-risk assets and an increasingly diversified portfolio. The result of this strategy is a fund that is a top performer in turbulent economic times and steady in bull markets.

Recent reports and rankings demonstrate the wisdom of North Carolina's long-term strategy. In Standard & Poor's annual rankings of state retirement fund funding ratios, North Carolina ranked second for the third year in a row. It should also be noted that we have been able to avoid the problematic strategies utilized by other pension funds.

More recently, Wilshire, the most widely accepted benchmark for the performance of institutional assets, reported that North Carolina was in the top quarter of performers for the fiscal year ending June 30, 2008. In a year when the average public fund lost 4.5 percent and the S&P 500 lost more than 13 percent, North Carolina's Trust Fund lost only 2 percent. The strong performance in such a tough year demonstrates the success of the Investment Management Division's effort to maintain a well-balanced portfolio that minimizes risk.

Review of the Past Year

The fiscal year ended June 30, 2008 saw significant turmoil and losses in markets across the globe. The mortgage crisis and tightening credit, declines in the stock market, a weakening dollar and increasing inflation made it a tough year for investors across the spectrum. However, the Trust Fund's conservative investment strategy mitigated losses in the equity portfolio and provided solid returns from fixed income, alternatives and real estate. This allowed us to outpace the majority of our peer funds who are positioned to outperform in up market cycles.

Many fixed income investors were hit particularly hard by collapses in certain mortgage-backed securities and other credit instruments. The Trust Fund avoided these pitfalls and took no direct losses from mortgage-backed securities, such as Collateralized Debt Obligations (CDOs) and Structured Investment Vehicles (SIVs). The Trust Fund's staff declined offers to invest in these securities in earlier years, which proved to be a wise decision.

The year did see the Trust Fund make a number of significant new investments and continue its effort to balance the portfolio with a greater emphasis on diversifying into alternative asset classes, increasing exposure to international and emerging markets, and reallocating passive investments to active strategies.

Looking Forward to the Year Ahead

Though the Trust Fund performed relatively well during the significantly volatile and arduous fiscal year in the financial markets, the Investment Division is committed to enhancing the portfolio to perform well in all types of market environments. Throughout the 2009 fiscal year, the Investment Division will continue to focus on reducing overall portfolio risk, while creating a stronger position to outperform in an up market environment.

With the Federal Reserve Board holding the federal funds rate steady at a relatively low level as of the 2008 fiscal year end, the fixed income management team will focus on protecting its longer duration portfolio against a possible rising interest rate environment. The Investment Division will utilize more credit research resources to identify and capitalize on market inefficiencies during this possible difficult period for bond prices.

In the equity market, growth-oriented securities outperformed value-focused securities considerably. The Trust Fund benefited from the growth stocks' performance, but the Investment Division will evaluate the Fund's bias to the growth equity style as the market potentially adjusts prices. The Investment

Division will also concentrate on increasing its global equity management allocation within the Equity Investment Portfolio. By utilizing a global approach, external investment managers can increase their opportunity set when searching for strong investments. As companies increasingly participate on a global stage, this strategy allows managers to evaluate whether companies within industries and sectors would truly be strong investment opportunities on a global basis. In addition, given this flexibility in a portfolio, global equity managers can effectively reduce risk through diversification and position themselves for potentially greater returns.

In the private equity market, the Investment Division was successful in securing high quality fund relationships throughout the fiscal year 2008. The private equity team will continue its concentration on opportunistic funds and co-investment opportunities with existing relationships.

During the next fiscal year, the Investment Division will update the 2005 asset optimization study to reflect market revaluation and the Trust Fund's liabilities. As the Investment Division seeks to increase allocations to strategies that, by themselves, might hold greater volatility, the Division remains steadfast in the fundamental concepts that these strategies' low correlation with others provides the diversification to effectively reduce overall portfolio risk, while concurrently increasing the potential for better portfolio performance.

Cash Management Program Review

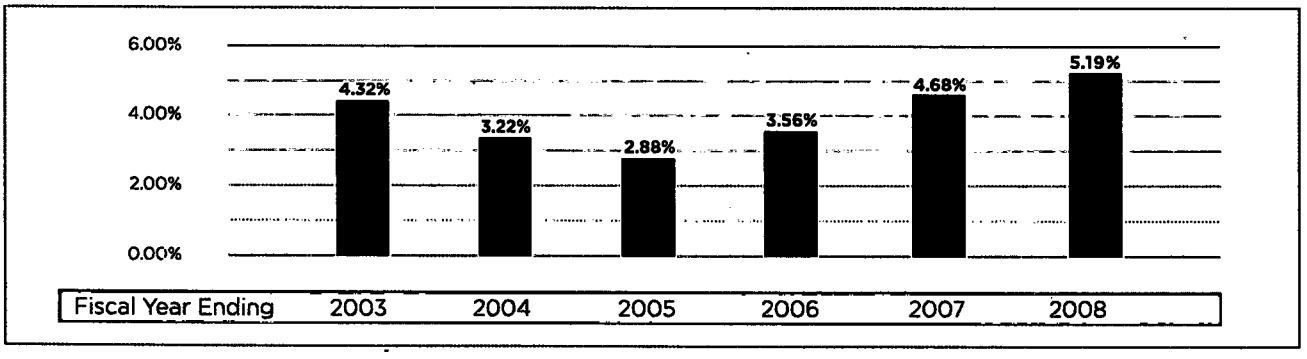
Short-Term Investment Fund

The Short-Term Investment Fund (STIF) is an internally managed portfolio of highly liquid fixed income securities. These securities are primarily money market instruments and short- to intermediate-term treasuries and agencies.

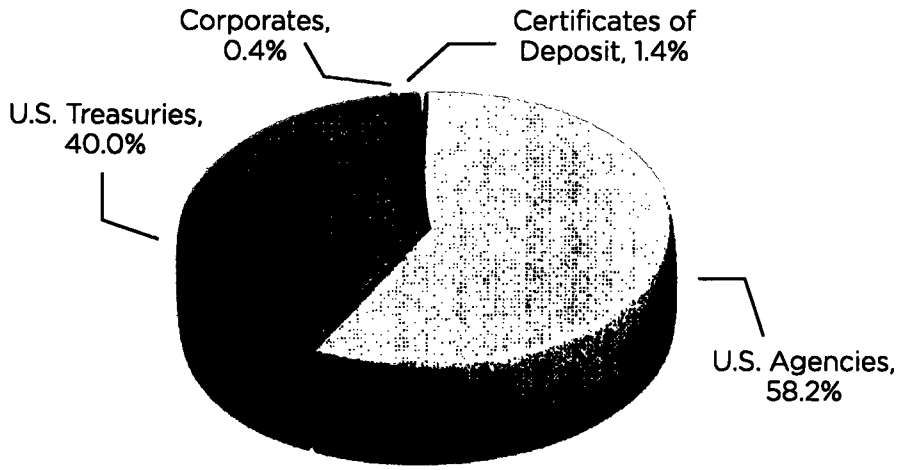
All bank accounts of the State Treasurer are included in this portfolio, which serves as the main operating account for state agencies. Because the Treasurer's cash balances are ultimately subject to disbursement upon presentation of valid warrants, the primary considerations in making investments are safety and liquidity; the secondary consideration is income.

For the fiscal year 2008, the STIF generated a cash return of 5.2 percent. The objective of this portfolio is to provide maximum income within the parameters of the IRS regulations on bond arbitrage.

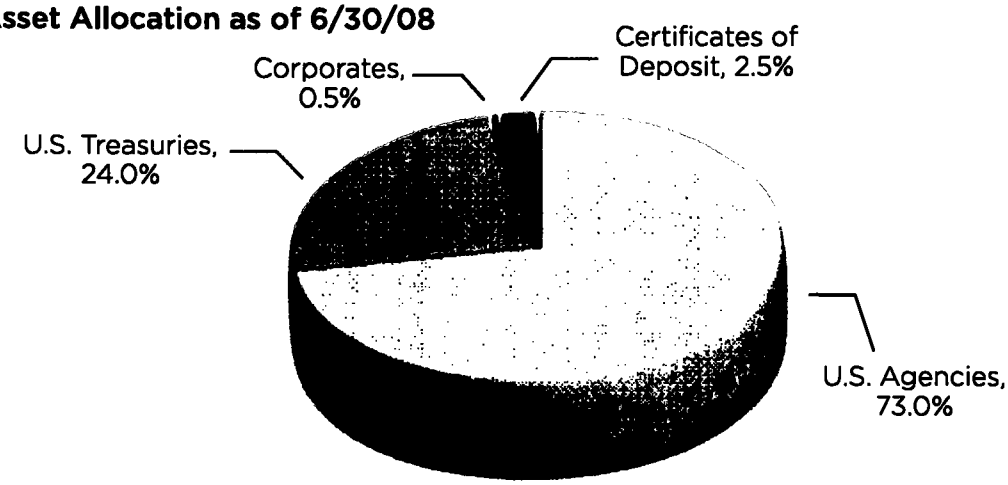
STIF Fiscal Year Performance



STIF Asset Allocation as of 6/30/07



STIF Asset Allocation as of 6/30/08



STIF Top 10 Positions as of June 30, 2008

ISSUER	COUPON	MATURITY DATE	VALUE ($)
FHLB Discount Notes		07/01/2008	3,004,326,357
U.S. Treasury Note	4.875%	08/31/2008	2,579,344,047
FHLMC	4.700%	07/11/2013	2,086,714,313
FHLMC	4.500%	08/11/2014	2,056,418,730
FHLMC	4.710%	07/18/2014	1,822,463,990
FHLMC	4.730%	07/11/2013	1,430,552,904
FHLMC	4.320%	04/29/2013	1,366,003,957
FHLB	5.050%	11/19/2012	1,139,574,057
FHLB	5.050%	11/13/2012	874,770,750
FHLB	5.000%	11/14/2012	65,499,335

STIF Summary of Brokers Utilized During Fiscal Year 2008

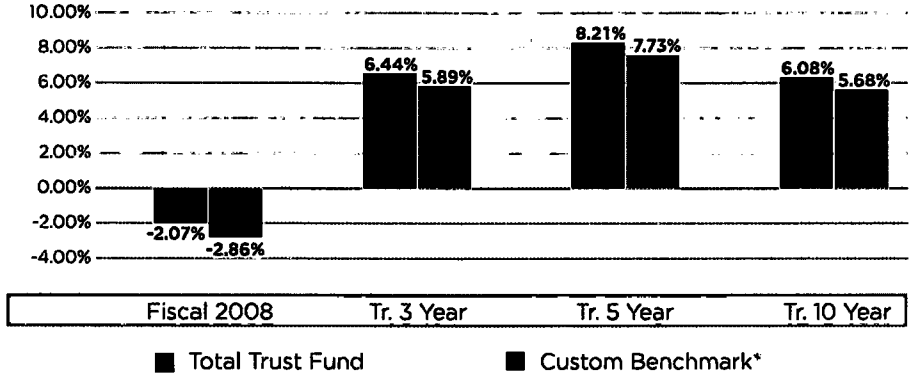
Bank of America	JPMorgan Chase	Morgan Stanley
Barclays	Key Bank	RBC Capital Markets
Credit Suisse	Lehman Brothers	RBS Greenwich
Deutsche Bank	Loop Capital	SBK Brooks
First Tennessee Bank	Merrill Lynch	UBS Warburg
Goldman Sachs	Mizuho Securities	Wachovia Capital Markets
HSBC Securities	Morgan Keegan	Williams Capital Group

Trust Funds Investment Program Review

Total Trust Fund

As of June 30, 2008, the Trust Fund maintained a market value of $72.3 billion. For the fiscal year 2008, the Trust Fund returned -2.1 percent, net of fees, outperforming its custom benchmark return of -2.9 percent. Over longer time periods, the Trust Fund continued its strong relative performance as it outperformed the benchmark over all of the respective time periods.

Total Trust Fund Annualized Performance



* 50% Custom Equity Benchmark, 39.5% Custom Fixed Income Benchmark, 6% Custom Real Estate Benchmark and 4.5% Custom Alternatives Benchmark.

Annualized Trust Fund Performance as of June 30, 2008

	1-YEAR	3-YEAR	5-YEAR	10-YEAR
TOTAL TRUST FUND	**-2.1%**	**6.4%**	**8.2%**	**6.1%**
Total Pension Custom Benchmark[1]	-2.9%	5.9%	7.7%	5.7%
LONG TERM INVESTMENT FUND	**8.4%**	**4.0%**	**4.1%**	**6.3%**
Custom Fixed Income Benchmark[2]	7.5%	3.5%	4.0%	6.0%
EQUITY INVESTMENT PORTFOLIO	**-10.5%**	**6.5%**	**10.4%**	**5.2%**
Custom Equity Benchmark[3]	-12.0%	6.2%	9.8%	4.0%
REAL ESTATE INVESTMENT PORTFOLIO	**8.7%**	**16.2%**	**13.7%**	**10.7%**
Custom Real Estate Benchmark[4]	9.5%	15.4%	14.3%	12.4%
ALTERNATIVE INVESTMENT PORTFOLIO	**7.6%**	**11.8%**	**8.8%**	**6.9%**
Custom Alternatives Benchmark[5]	-1.0%	7.5%	8.8%	5.3%

1) 50% Custom Equity Benchmark, 39.5% Custom Fixed Income Benchmark, 6% Custom Real Estate Benchmark and 4.5% Custom Alternatives Benchmark.

2) ML 40% Govt 5+Yr, ML 35% Corp (Investment Grade – BBB Max 25%) 5+Yr and ML 25% Mortgage Master.

3) 68% Russell 3000 Index and 32% MSCI EAFE Index.

4) 90% NCREIF Open End Funds Index and 10% FTSE EPRA/NAREIT Global Securities Index.

5) 70% Custom Private Equity Benchmark and 30% Custom Hedge Fund Benchmark.
Custom Private Equity Benchmark is the Russell 3000 Index lagged 3 months + 250 bps.
Custom Hedge Fund Benchmark is the U.S. T-Bill + ML 400 bps.

Structure

The Investment Management Division is constantly monitoring the overall Trust Fund in an effort to control risk. The following chart highlights revisions to strategic asset allocation targets.

The Investment Management Division sustains consistent rebalancing to ensure the overall portfolio weights stay in line with the target weights. A disciplined approach to rebalancing ultimately controls the level of risk that an investment portfolio experiences.

Current and Historical Strategic Targets

	JUNE 2006	JUNE 2007	JUNE 2008
Fixed Income	39.5%	39.5%	39.5%
Total Equity	54.5%	52.0%	50.0%
U.S.	*41.5%*	*36.0%*	*34.0%*
Non-U.S.	*13.0%*	*16.0%*	*16.0%*
Real Estate	3.5%	5.0%	6.0%
Alternatives	2.5%	3.5%	4.5%

Trust Fund Asset Allocation as of June 30, 2008

	MARKET VALUE	PORTFOLIO WEIGHT	TARGET WEIGHT	TARGET RANGE
Fixed Income	$28,534,518,609	39.5%	39.5%	35.0% - 44.0%
Total Equity	$36,121,131,936	50.0%	50.0%	45.0% - 55.0%
Real Estate	$4,182,444,878	5.8%	6.0%	5.0% - 7.0%
Alternatives	$3,466,433,043	4.8%	4.5%	3.5% - 5.0%
TOTAL FUND	**$72,304,528,466**	**100.0%**	**100.0%**	---

Corporate Governance

The Investment Management Division maintains a robust corporate governance program. The corporate governance movement followed on the heels of highly publicized scandals at companies like Enron, WorldCom and Tyco, when investors saw the clear results of poor governance standards. The pension plan works through proxy voting, shareholder resolutions, dialogue with corporate leaders and regulatory agencies and collaboration with other institutional investors to create positive change within portfolio companies.

Some of the primary issues addressed by the pension plan include:

- Ensuring greater transparency in executive compensation packages and stronger rights for shareholders to provide advisory votes on pay plans
- Tying executive pay to performance
- Creating stronger Board independence
- Ensuring investor rights to nominate director candidates
- Protecting the legitimacy of director elections by working to eliminate uninstructed broker votes from director election tallies
- Ensuring companies develop sustainable environmental business practices

Sudan

The Trust Fund has developed a policy related to investments in companies that may be doing business with the government of Sudan. The policy incorporates engagement with companies to encourage positive change, with the possibility that non-responsive companies may be excluded from the Trust Fund portfolio. On November 1, 2006, the Trust Fund announced that it had divested from, or prohibited future investment in, nine companies that were shown to be providing military or monetary support to the Sudanese government, but who had taken little or no interest in the humanitarian crisis. On August 30, 2007, the "Act Providing for how the State Treasurer Shall Address Certain State Investments Relating to Sudan" (House Bill 291) was signed into law, and the Department is following this legislation.

Payday Lending

The Trust Fund implemented a policy to exclude holdings of companies engaged in payday lending. Payday lenders typically offer short-term loans at high interest rates and may not legally operate in the State of North Carolina. As such, any company that in the primary course of business engages in such practices is excluded from the North Carolina investable universe.

Trust Fund Fiscal Year Activity

The Division conducts its activities in accordance with the Statement of Investment Policy approved by the Treasurer in consultation with the Investment Advisory Committee. This policy covers fiduciary standards of care, asset allocation ranges, rebalancing requirements and other issues. During Fiscal Year 2008, strategies were revised to increase long-term exposure to real estate and alternatives. The allocation to U.S. equity was lowered to provide funds for the additional allocation to real estate and alternatives. This strategic realignment effectively increased the Non-U.S. equity allocation within the overall Equity Investment Portfolio. The Division models a policy portfolio that should, over time, produce a return that exceeds the actuarial requirements with prudent risk guidelines.

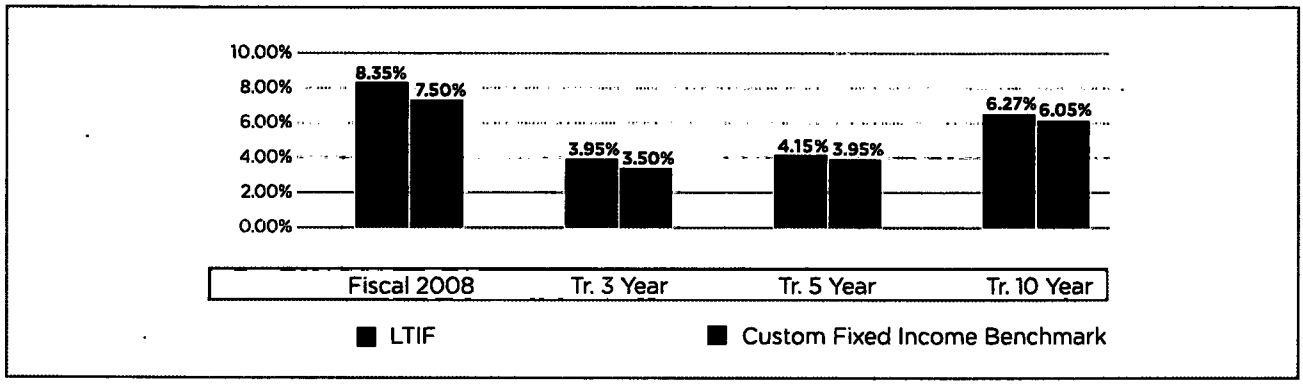
Specifically, the Trust Fund's fixed income holdings posted an 8.4 percent return for the year, while the equity portfolio, or stocks, lost -10.5 percent. The alternatives and real estate portfolios returned 7.6 percent and 8.7 percent, respectively. The relatively young real estate and alternatives investment programs will provide increasingly strong returns over the next several years, as these types of investments typically take several years to realize maximum results. These investments also diversify the overall portfolio, helping to produce steadier returns over the long term.

Fixed Income

The majority of the Trust Fund's fixed income allocation is invested in the Long Term Investment Fund (LTIF) and includes allocations to the STIF ($0.9 billion) and the Campbell Timber Fund III ($0.5 billion).

As of June 30, 2008, the LTIF comprised a market value of $27.1 billion, representing 37.4 percent of the Trust Fund's assets. For the fiscal year 2008, the LTIF returned 8.4 percent, net of fees, outperforming its custom benchmark return of 7.5 percent. Over longer time periods, the LTIF continues its strong relative performance and adds value to the Trust Fund as it outperforms the benchmark over all of the respective time periods.

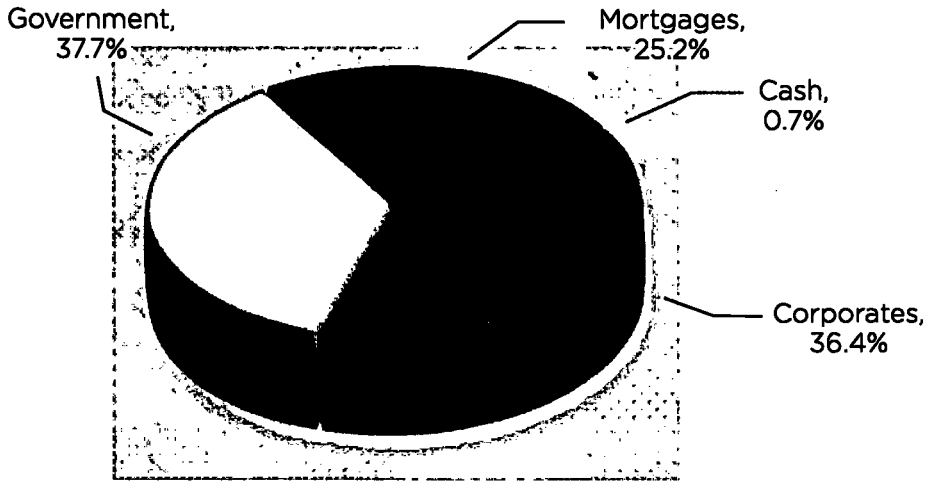
LTIF Annualized Performance



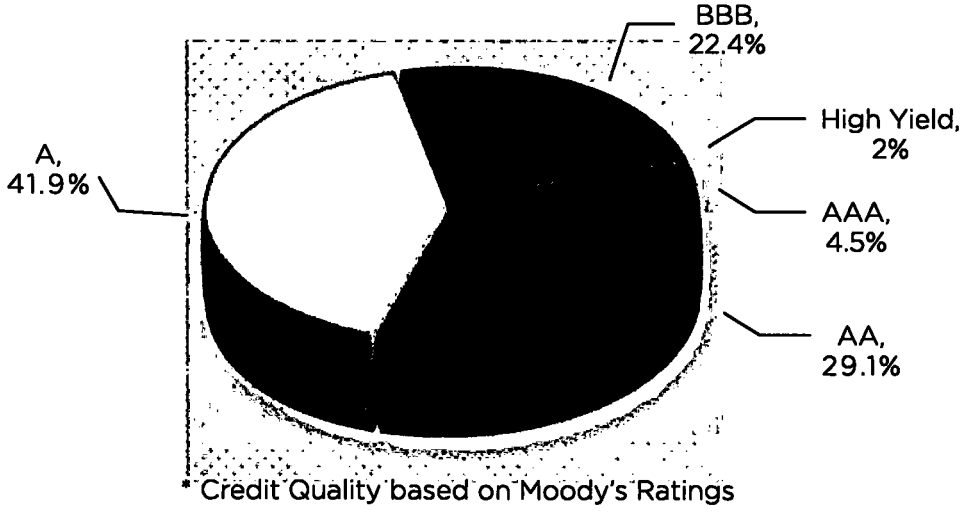
Structure

The fixed income allocation of the Trust Fund is actively managed through the LTIF. The Investment Management Division utilizes the LTIF to help match the liabilities of the overall fund. Because of this approach, the duration of the portfolio tends to be fairly long. Duration is a measure of a bond's price sensitivity to changes in interest rates. With rates dropping and spreads widening, the fixed income portfolio return of 8.4 percent was within expectations for the fiscal year.

LTIF Sector Allocation as of 6/30/08



LTIF Credit Quality* Allocation as of 6/30/08



*Credit Quality based on Moody's Ratings

Fixed Income Fiscal Year Activity

During the fiscal year, the LTIF increased its overall position within the Trust Fund to 39.5 percent of the total assets. The LTIF added approximately $215.0 million in value to the Trust Fund by outperforming its benchmark. By adhering to its high quality structure throughout the fiscal year, the LTIF successfully avoided credit market difficulties associated with Special Investment Vehicles ("SIVs") and Subprime mortgages. In addition, the LTIF strategically added exposure to Treasury Inflation-Protected Securities ("TIPS") as fears of relatively higher inflation spread through the economy.

LTIF Top 10 Corporate Positions as of June 30, 2008

CORPORATE ISSUER	MARKET VALUE ($)	% OF LTIF
JPMorgan	367,173,731	1.3%
General Electric	344,119,501	1.2%
Bank of America	323,680,408	1.1%
AT&T	307,919,879	1.1%
Citigroup	296,396,789	1.0%
Wal-Mart Stores	258,132,036	0.9%
Goldman Sachs Group	257,303,329	0.9%
Verizon Comm	220,542,874	0.8%
Morgan Stanley	185,357,418	0.6%
Wachovia Bank	189,991,614	0.6%

LTIF Summary of Brokers Utilized During Fiscal Year 2008

AG Edwards	Goldman Sachs	Morgan Keegan
Bank of America	HSBC Securities	Morgan Stanley
Barclays Capital	JPMorgan Chase	RBC Capital Markets
Bear Stearns	LaSalle Financial	RBS Greenwich Capital
Citigroup	Lehman Brothers	Stifel Nicolaus
Countrywide Securities	Loop Capital Markets	Suntrust Capital Markets
Credit Suisse Securities	KeyBanc Capital Markets	UBS Securities
Deutsche Bank Securities	Merrill Lynch	Wachovia Capital Markets
First Tennessee Bank	Mizuho Securities	Williams Capital Group

Fixed Income Market Fiscal Year Commentary

The beginning of the fiscal year saw the impact of the subprime mortgage meltdown take full effect as delinquencies and defaults began a sharp rise. Due to the subsequent credit crisis and escalating fears of a weakening economy, the fiscal year experienced a significant period of monetary easing by the Federal Reserve Board.

Making some of the largest drops in monetary policy history, the Fed lowered the federal funds rate from 5.25 percent to 2.00 percent. High quality securities posted strong returns for the fiscal year due to a decrease in interest rates across the yield curve and a flight to quality. On the corporate side, spreads widened significantly throughout the year as the credit crisis intensified and the economy showed more signs of weakness.

Equity Investment Portfolio

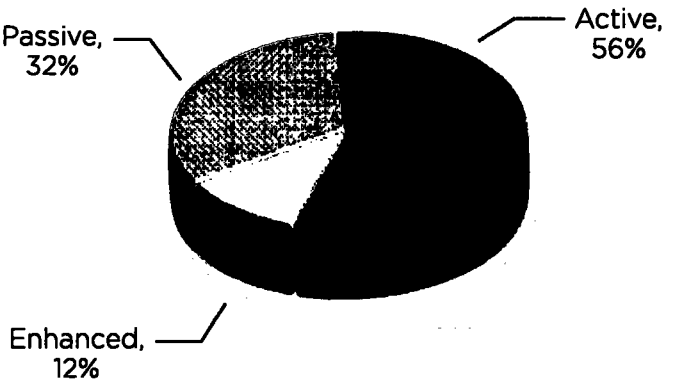
As of June 30, 2008, the Equity Investment Portfolio (EIP) maintained a market value of $36.1 billion, representing 50.0 percent of the Trust Fund's assets. For the fiscal year 2008, the EIP returned -10.5 percent, net of fees, outperforming its custom benchmark return of -12.0 percent. Over longer time periods, the EIP continues its strong relative performance and adding value to the Trust Fund.

Structure

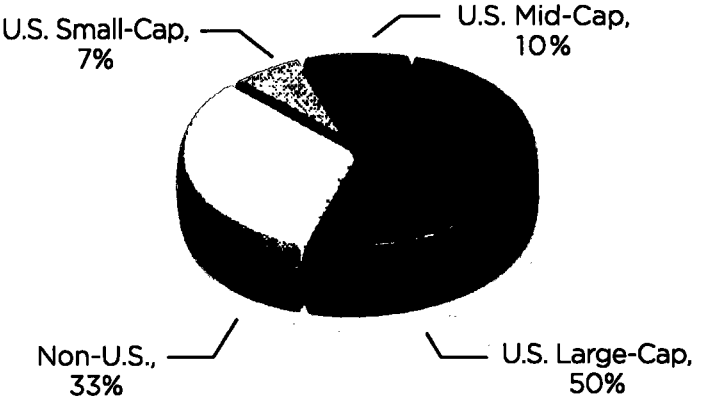
All investments of the Equity Investment Portfolio are managed externally according to one of three different strategies: passive, enhanced or active. Passive investments track existing indexes in relatively efficient markets. Enhanced indexes allow managers some flexibility to make decisions that deviate from the index, but maintain more control of market risk than active management. Actively managed funds give the manager discretion to make investment decisions within the parameters of the portfolio's mandate.

The EIP maintains prudent diversification within the broad equity market and is categorized into U.S. Large-Cap, U.S. Mid-Cap, U.S. Small-Cap and Non-U.S. investments. U.S. investments make up the large majority of equity investments, though the international investments have grown in recent years.

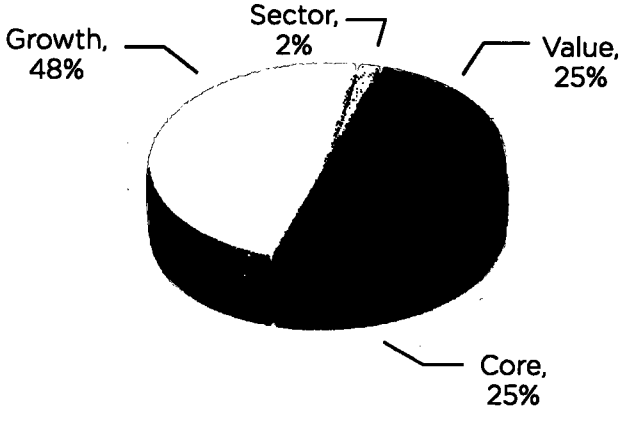
Equity Strategy Allocation



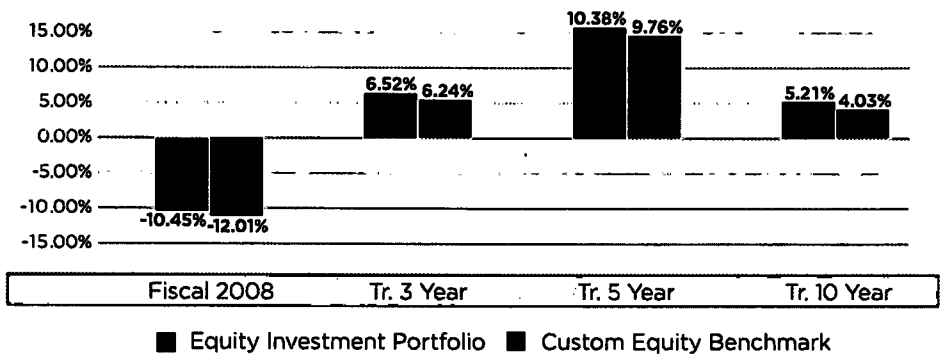
Equity Size Allocation



Equity Style Allocation



Equity Investment Portfolio Annualized Performance

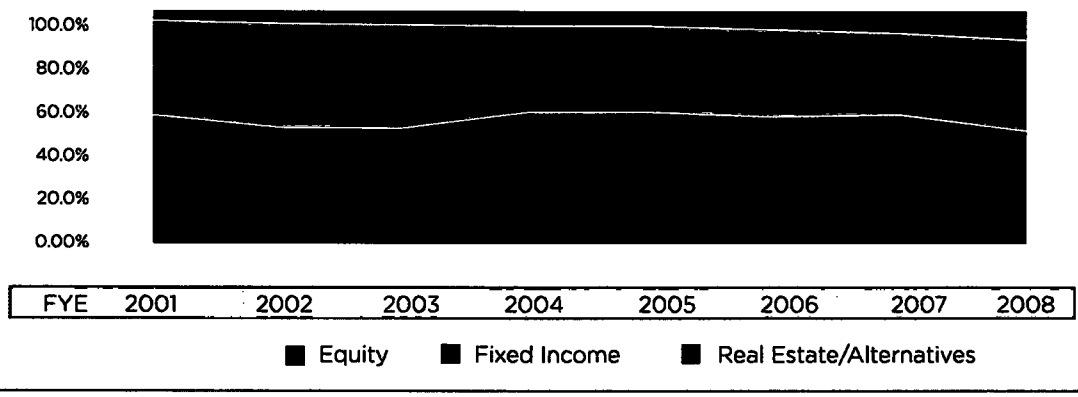


Equity Fiscal Year Activity

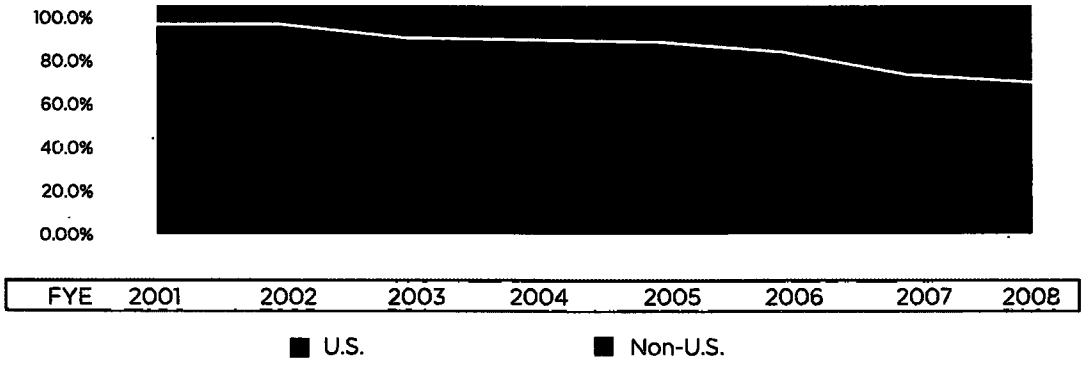
Based on the implementation of an independent asset optimization analysis, strategic targets for the EIP were lowered to allow an increase in the Trust Fund's diversification through the investment into other asset classes. However, over the past few years within the EIP, the Non-U.S. equity allocation was strategically increased; this has added significant value to the overall Equity Investment Portfolio.

During the fiscal year, the EIP increased its Large-Cap Value position through an allocation to the investment advisor, Hotchkis & Wiley. The EIP strategically reallocated active exposure with U.S. Small-Cap by adding the investment advisor, Turner Investment Partners. During the year, the EIP also augmented its U.S. Mid-Cap position by selecting advisors, TimesSquare Capital and Angelo Gordon. The EIP continues to steadily build its exposure to the emerging markets as it hired Baillie Gifford during the fiscal year. Following is a list of the EIP's investment managers as of June 30, 2008, as well as the EIP's top 10 holdings.

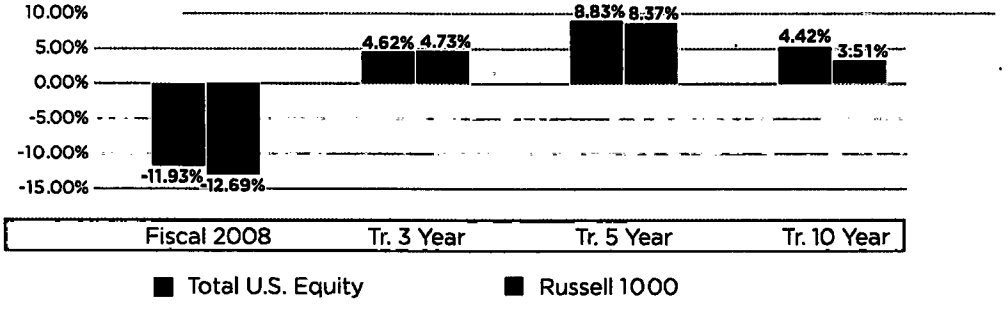
Decrease in Trust Fund's Equity Allocation



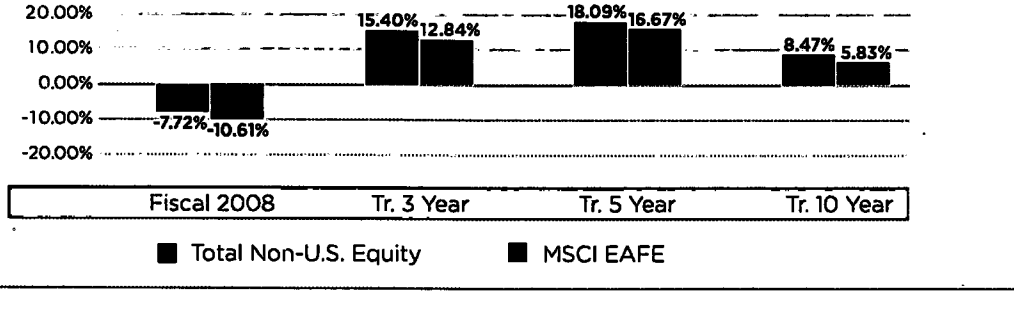
Increase in Non-U.S. Equity Allocation



U.S. Equity Annualized Performance



Non-U.S. Equity Annualized Performance



U.S. Equity Investment Advisors (FY ending 2008)

U.S. EQUITY INVESTMENT ADVISORS	STYLE	MARKET VALUE
First Citizens Large Cap	Large-Cap Passive	3,004,326,357
Evergreen S&P 500	Large-Cap Passive	2,579,344,047
BOA Large Cap	Large-Cap Passive	2,086,714,313
BGI Russell 3000 Alpha Tilts	Large-Cap Active	2,056,418,730
Alliance Relative Value	Large-Cap Active	1,822,463,990
Evergreen Mid Cap	Mid-Cap Passive	1,430,552,904
Wellington Growth	Large-Cap Active	1,366,003,957
Wellington Tech Eq	Large-Cap Active	1,139,574,057
Wellington Mid Cap Intersection	Mid-Cap Active	874,770,750
Evergreen Russell 200 Enhanced	Large-Cap Active	841,845,236
Sands Large Cap	Large-Cap Active	828,642,939
Turner Investments	Large-Cap Active	815,962,571
BOA Mid Cap	Mid-Cap Passive	614,885,038
SSGA S&P 600	Small-Cap Passive	564,218,997
Piedmont Strategic Core	Large-Cap Active	435,520,987
Wellington S&P 600	Small-Cap Passive	415,937,826
Wellington Biotech	Small-Cap Active	392,745,201
Hotchkis Mid Cap Value	Mid-Cap Active	339,986,340
Earnest Partners Small Cap Value	Small-Cap Active	298,700,393
Sterling Small Cap Value	Small-Cap Active	261,561,578
Hotchkis Large Cap Value	Large-Cap Active	253,809,197
Angelo Gordon SMID Growth	Smid-Cap Active	225,839,011
Times Square Mid Cap Growth	Mid-Cap Active	211,966,978
Numeric Small Cap Value	Small-Cap Active	134,748,258
Turner Quant Micro Cap	Small-Cap Active	99,433,604
Numeric Small Cap Growth	Small-Cap Active	79,903,196
TimesSquare Mid Cap Focused	Mid-Cap Active	65,499,335

Non-U.S. Equity Investment Advisors (FY ending 2008)

NON-U.S. EQUITY INVESTMENT ADVISORS	STYLE	MARKET VALUE
GMO Int'l	Non-U.S. Active	1,549,276,413
Alliance ACWI ex-US	Non-U.S. Active	1,389,026,520
BGI Non-US Alpha Tilts	Non-U.S. Active	1,271,686,490
Capital Guardian Int'l	Non-U.S. Active	1,265,933,636
Wellington Int'l	Non-U.S. Active	1,193,977,805
Baillie Gifford EAFE	Non-U.S. Active	995,237,278
BGI EAFE Index Fund	Non-U.S. Passive	722,117,075
Mondrian EAFE Value	Non-U.S. Active	701,769,531
Invesco	Non-U.S. Active	690,450,741
Oeschle EAFE Growth	Non-U.S. Active	652,777,554
Alliance Emerging Markets	Non-U.S. Active	608,190,193
Walter Scott Int'l	Non-U.S. Active	453,879,305
Baillie Gifford Emerging	Non-U.S. Active	299,782,234
AGA Global Strategy Partners	Global Active	236,327,086
Longview Global Equity	Global Active	219,284,343

EIP Top 10 Holdings (FY ending 2008)

COMPANY	% of EIP
Exxon Mobil	1.4%
Microsoft	0.8%
General Electric	0.7%
Apple	0.7%
Google	0.6%
AT&T	0.6%
Proctor & Gamble	0.6%
Chevron	0.6%
Cisco Systems	0.6%
Johnson & Johnson	0.6%

Equity Market Fiscal Year Commentary

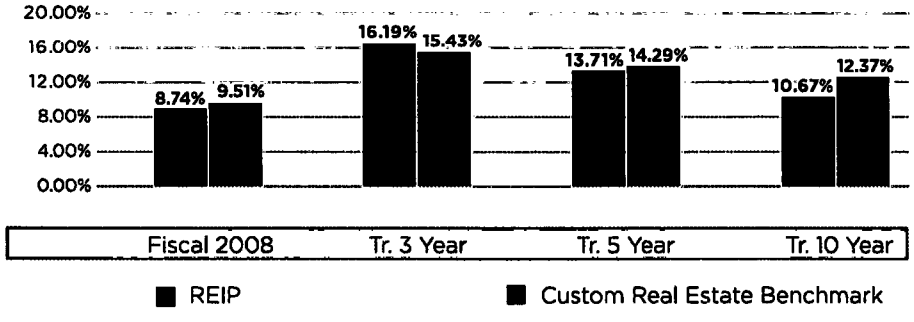
The equity markets contributed large negative returns for 2008's fiscal year as the Russell 3000 Index posted a -12.7 percent return. The credit crisis stretched its detrimental impact to equity securities as investors made a flight to quality due to rising uncertainty in the markets and economy and hedge funds liquidating holdings to reach margin calls. The equity market experienced significant volatility as returns sank throughout the fiscal year. The factors affecting this rocky decline included rising unemployment, a weakening U.S. dollar, rising commodity prices, slowing consumer confidence, large corporate write-downs, tightening credit and a collapsing housing market. During this period, the EIP may attribute a portion of its outperformance over its benchmark to its overweight in growth-oriented securities. During the fiscal year, growth securities outperformed value securities as the Russell 3000 Growth Index returned -7.1 percent and the Russell 3000 Value Index posted a -9.6 percent return.

Despite a weakening U.S. dollar, the international equity market posted sharp negative performance for the fiscal year 2008. Though the international markets somewhat resisted the initial onset of the crisis occurring in the U.S., it soon caught up and took a devastating toll. Though it seems the emerging markets weathered the global storm with a fiscal year return of 4.6 percent, recent performance has deteriorated most of the significantly high returns gained through the second half of 2007.

Real Estate

As of June 30, 2008, the Real Estate Investment Portfolio (REIP) maintained a market value of $4.2 billion, representing 5.8 percent of the Trust Fund's assets. For the fiscal year 2008, the REIP returned 8.7 percent, net of fees, underperforming its custom benchmark return of 9.5 percent.

Real Estate Investment Portfolio Annualized Performance

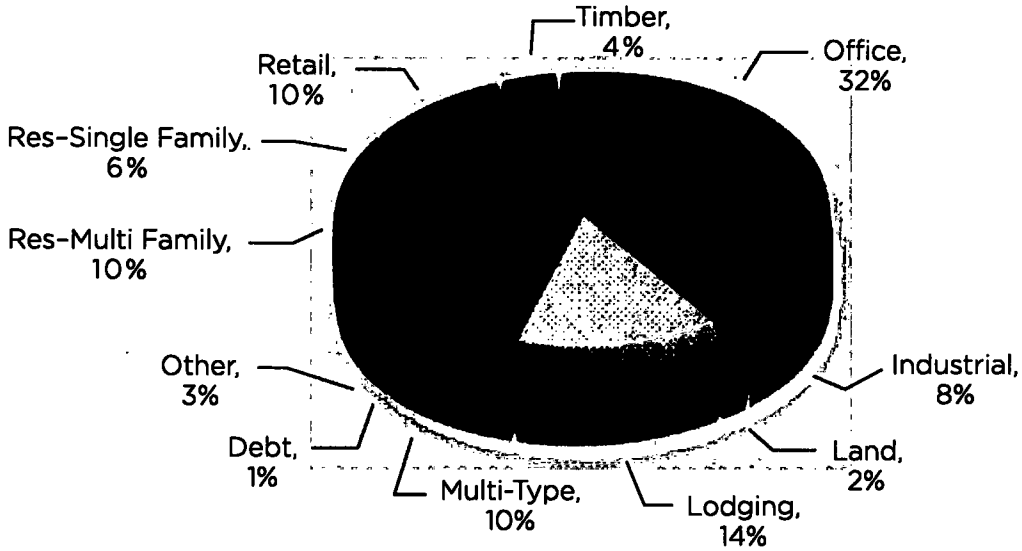


Structure

The Trust Fund began investing in Real Estate on a limited basis in the early 1990's with investments in passive open-end core real estate funds. In the early 2000's, it was determined a more active real estate strategy could add considerable value over time. The REIP has grown from 1.9 percent of the Trust Fund in 2001 to 5.8 percent of the Trust Fund at the end of 2008's fiscal year. As of June 30, 2008, the REIP maintains $2.3 billion in outstanding commitments.

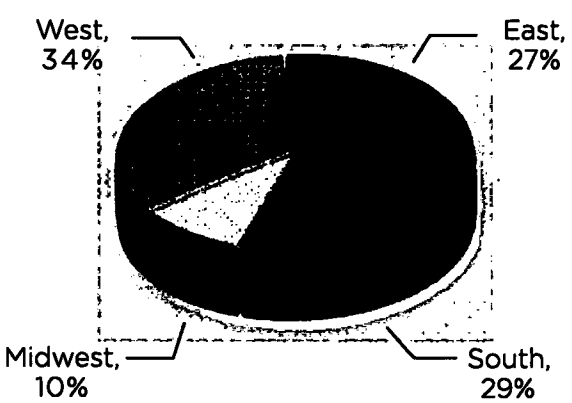
The REIP is an actively managed portfolio of open and closed-end funds sponsored by leading management firms. The REIP also includes a limited number of separate accounts representing specific strategies such as timber and real estate investment trusts (REITs). The Real Estate Investment Portfolio maintains strategic allocations to diverse strategies within real estate investment vehicles including core, value-added and opportunistic funds. In addition, the analysis of new investments focuses on location and property types and employs a moderate level of risk. The REIP continues its objective by expanding into a variety of property types including debt, industrial, land, lodging, multi-type, office, residential - multi-family, residential - single-family, retail and timber. The chart on the top of page 44 illustrates the REIP's diversification into these types of property.

Property Type Allocation

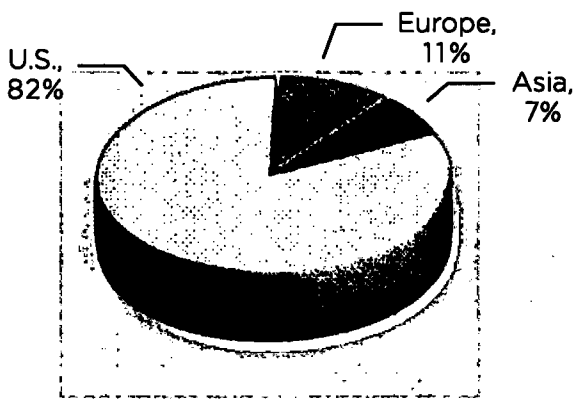


Domestically, the REIP has a coastal focus with the greatest exposure to major cities on the West Coast, followed closely by Eastern and Southern markets with the remainder in the Midwest. International investment exposure is approximately 18.0 percent with the majority in Europe. A large majority of the European exposure is in France, Germany and the United Kingdom. Japan accounts for 45 percent of the Asian exposure, down from approximately 67 percent at the 2007 fiscal year end, as opportunities in Australia, China and Hong Kong develop.

U.S. Geographic Allocation



Global Geographic Allocation



Real Estate Fiscal Year Activity

During the fiscal year, the REIP increased from $3.5 billion to $4.2 billion. Based on the implementation of an independent asset optimization analysis, strategic targets for the REIP were increased to allow greater diversification within the Trust Fund. The REIP added eleven fund relationships during the fiscal year and will continue to focus on opportunities in land, agricultural funds, timber, core and value-added strategies, emerging markets, infrastructure, REITs and secondary funds.

Real Estate Market Fiscal Year Commentary

The real estate market continued its strong performance throughout the fiscal year and has currently weathered the credit crunch crisis. However, despite the small allocation of the residential mortgage market affected by subprime issues and that commercial and residential markets are separate, the commercial mortgage debt market is still impacted by spread increases and economic downturns.

Total returns for the private real estate market moderated throughout the latter half of the fiscal year as the appreciation portion of returns has waned. In the hotel sector, uncertainty mounted as business and leisure travel slowed. Industrial warehouses faced a decline in product inventories due to a decrease in consumption, but the sector was offset as the increase in exports attributed to the declining U.S. dollar has pushed products through the warehouses and into ports. The office and retail sectors continued to outperform during the fiscal year as the apartment sector experienced signs of slowing appreciation.

On the next page is a list of the REIP's investment advisors and fund relationships as of June 30, 2008.

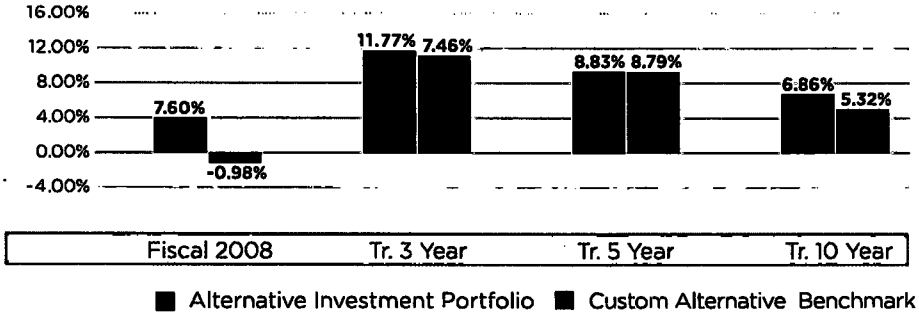
REIP Investment Advisors and Fund Relationships as of June 30, 2008

REIP ADVISORS AND FUNDS	MARKET VALUE	REIP ADVISORS AND FUNDS	MARKET VALUE
MS Global RE Securities	294,980,477	Rockpoint RE I	28,892,391
Timberland Inv Res - Nahele	220,432,749	Shorenstein IX	26,451,707
JPMorgan Strategic Property	196,807,416	Angelo Gordon Core Plus	26,324,076
RREEF Global OPP II	191,453,381	Security Cap Focus Select	26,103,166
MSREF VI INTL	190,095,084	Penwood CSIP I	24,505,315
Starwood SOF VII	161,564,478	Angelo Gordon Core Plus II	23,902,018
CBRE Strategic IV	156,958,582	DRA Fund V Co-Inv	22,213,508
Sentinel RE Fund	146,576,684	FROGMORE RE	21,917,331
Prudential PRISA	139,935,377	Crossharbor Instl PT	21,777,000
DLJ RECP III	136,024,338	Cherokee III	18,651,739
UBS RESA	131,771,132	LEM RE Mezzanine II	16,329,436
Rockpoint RE II	118,932,139	Value Enhancement II	15,575,848
Blackstone RE V	112,226,522	DRA Growth & Income VI	14,485,345
Starwood SOF VII Co-Inv	109,685,761	Crow Holdings Realty IV-A	13,508,209
Shorenstein VII	105,006,991	CBRE Strategic V	12,130,000
UBS PMSA	104,901,654	RMK Emerging Timberland	11,827,416
DRA Growth & Income V	94,720,759	DLJ RECP IV	11,660,656
Blackstone RE VI	93,553,791	DLJ RECP II	10,999,922
MSREV V INTL	93,041,079	DRA Growth & Income III	8,714,876
Keystone Industrial Fund	86,335,038	Westbrook RE IV	8,084,424
Rockwood VII	83,297,221	American Value Partners	5,591,458
Rockwood VI	78,196,689	Westbrook RE III	4,001,248
Terra Firma Deutsche	74,273,608	Westbrook RE II	3,070,544
JER REP IV	73,619,564	Rockpoint RE III	2,070,590
Warburg Pincus RE I	67,297,750	Penwood PSIP II	1,372,269
Shorenstein VIII	65,566,007	DLJ RECP	426,659
Value Enhmnt IV	61,059,766	CIGNA Open End Fund	295,296
Stag II	57,306,388	Westbrook RE I	204,962
CIM URBAN REIT	55,644,473	Hawkeye Scout I-A	152,141
Crow Holdings Realty IV	54,127,451	Value Enchancmnt III	-
JER REP III	49,586,911	Cherokee IV	-
DRA Growth & Income IV	45,130,326	Crow Holdings Realty V	-
Sentinel Realty V	40,015,197	Keystone Industrial Fund II	-
RLJ Fund II	39,918,699	NorthRock Core Fund	-
Benson Elliot RE II	31,273,841	RLJ Urban Lodging I	-
DB RE GLBL OPP IA	31,022,725	RLJ RE Fund III	-

Alternatives

As of June 30, 2008, the Alternative Investment Portfolio (AIP) posted a market value of $3.5 billion, representing 4.8 percent of the Trust Fund's assets. For the fiscal year 2008, the AIP returned 7.6 percent, net of fees, outperforming its custom benchmark return of -1.0 percent. Over longer time periods, the AIP continues to add value to the Trust Fund by outperforming the custom alternatives benchmark on a one-, three-, five- and ten-year basis.

Alternative Investment Portfolio Annualized Performance

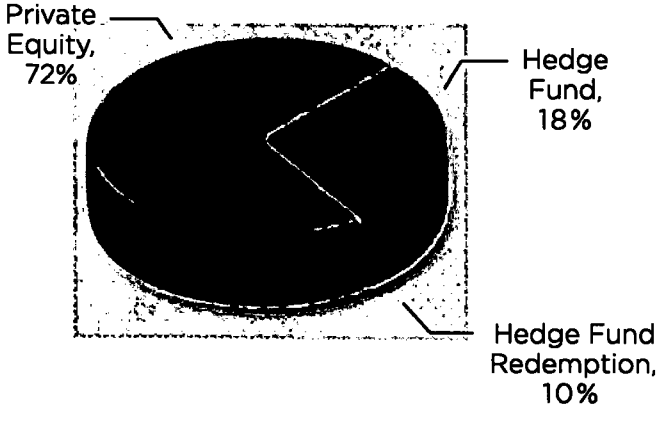


Structure

The AIP has grown in recent years, starting with commitments of less than $50 million in 2001 and totaling approximately $3.5 billion at the end of the fiscal year.

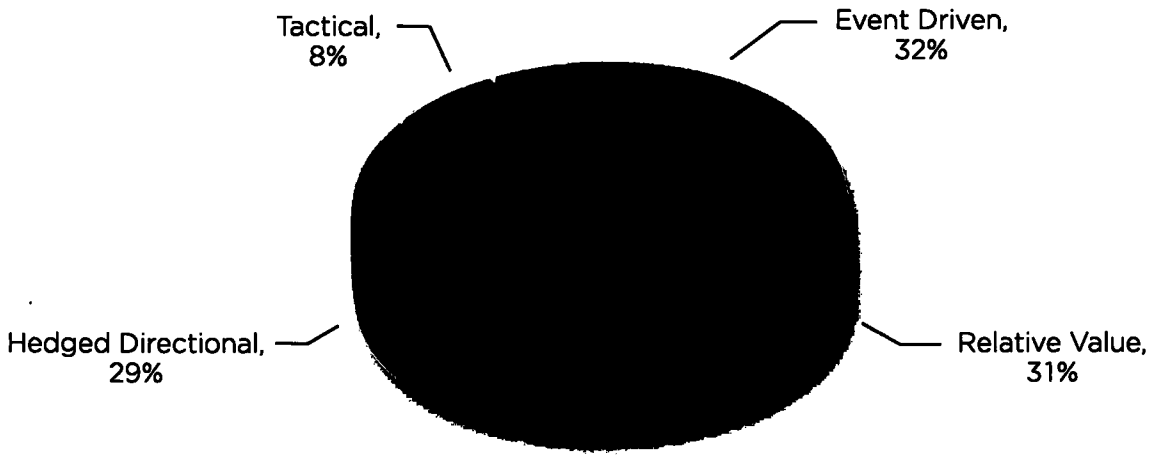
The AIP consists of actively managed Private Equity and Absolute Return Investments. Private Equity funds invest in interests of private corporations (not listed on the stock exchanges). Absolute Return funds make investments by entering into commitments through specialized funds, such as hedge funds.

AIP Structure



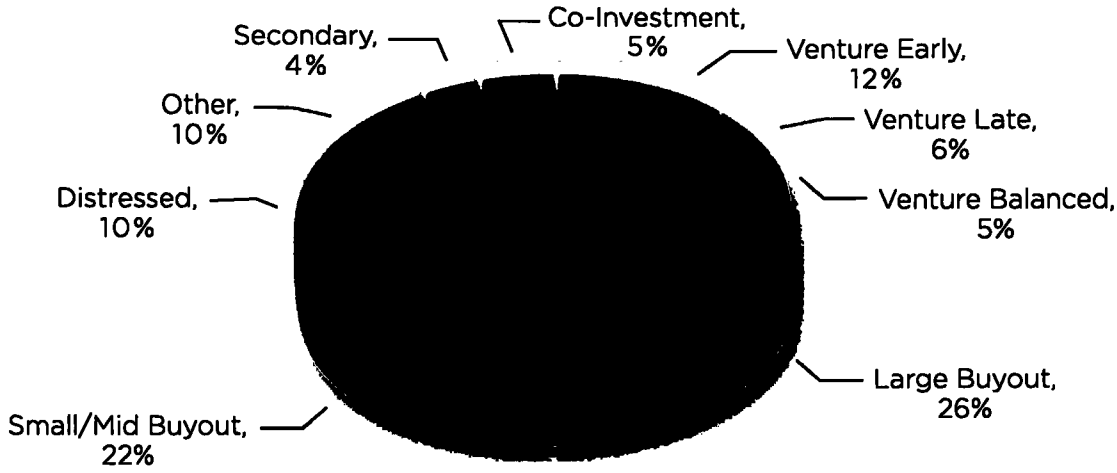
The hedge funds within the AIP can be categorized into various sub-strategies including event driven, relative value, hedged directional and tactical. Below is the allocation of the AIP's hedge fund portfolio.

Hedge Fund Sub-Strategy Allocation



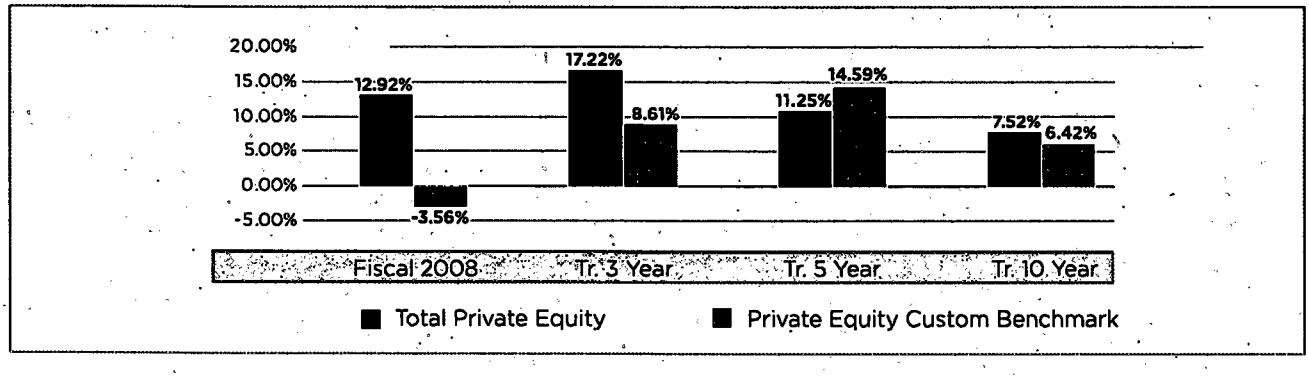
While Absolute Return investments are capable of immediate positive returns, it should be noted that Private Equity investments are unlikely to provide positive returns in early years. Investment gains in Private Equity are typically realized in later years as assets of the fund mature and increase in value due to the efforts of the management company. The effect of this timing on fund returns is referred to as the "J-Curve" effect. Specifically, the cost of management fees and write-downs of under-performing assets are borne by funds early, while the realization of gains comes with the eventual sale of assets after their value has increased. Private Equity investments may be categorized into various sub-strategies. The Trust Fund's allocation to these sub-strategies is displayed below.

Private Equity Sub-Strategy Allocation

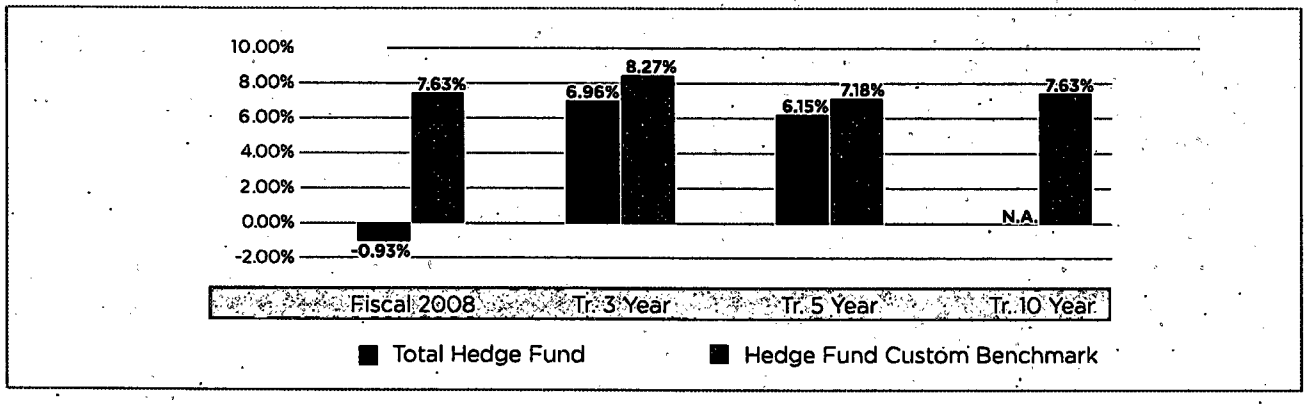


The heavier allocation to Private Equity investments greatly attributed to the outperformance of the total AIP. As illustrated below, the private equity portion of the AIP has posted strong performance relative to its custom benchmark.

Private Equity Annualized Performance



Hedge Fund Annualized Performance



Private Equity Fiscal Year Activity

During the fiscal year, the AIP increased from $2.2 billion to $3.5 billion. Based on the implementation of an independent asset optimization analysis, strategic targets for the AIP were increased to allow greater diversification within the Trust Fund. Though the AIP did not gain new fund relationships over 2008's fiscal year, the AIP did increase its allocation to hedge directional and tactical strategies.

Alternative Market Fiscal Year Commentary

For the fiscal year ending in 2008, the private equity market experienced a considerable retreat from its large wave of buyout deals and announcements through the first half of 2007. The credit crunch that effectively froze the means for private equity buyout strategies to borrow severely hindered their ability to invest. Venture capital firms had to turn away from searching for deals and focus on keeping their portfolio companies afloat during the economic slowdown. As mergers and acquisition activity slowed dramatically, limited partners have seen limited returns as exit opportunities are lessening. Buyout purchase multiples dropped significantly throughout the year as access to credit is considerably more difficult to achieve.

The hedge fund industry has experienced one of the most challenging and volatile markets in recent years. The credit crunch and drastic change in lending restrictions ignited a rise in volatility and financial deleveraging. The most notable impact was in relative value arbitrage in which many hedge funds maintained significant exposure to subprime mortgages and were forced to liquidate a variety of portfolios to cover recalled capital and meet margin calls.. This sell-off permeated much of the financial marketplace. However, numerous market dislocations provided attractive opportunities for many hedge fund strategies including tactical hedge funds using dynamic trading techniques.

The following page contains a list of the AIP's investment advisors and fund relationships as of June 30, 2008.

Private Equity Advisors and Fund Relationships as of June 30, 2008

PRIVATE EQUITY FUNDS	MARKET VALUE	PRIVATE EQUITY FUNDS	MARKET VALUE
Credit Suisse NC Inv Fund	148,348,746	Tudor Ventures III	12,824,373
Apollo Investment Fund VI	120,977,999	PCA SYN Investments	11,679,567
TPG Partners V	118,250,502	Synergy Life Science	11,414,394
Terra Firma III	109,815,204	CVE Kauffman I	11,034,632
TPG Partners IV	105,691,149	Perseus Partners VII	10,830,789
Terra Firma II	98,873,963	Carousel Capital III	10,783,068
Parish Capital I	86,207,799	Aurora Ventures IV	10,361,451
CVC Euro Eq IV	78,240,444	Lehman Bros V	10,359,126
AG Cap Recovery VI	75,000,000	Burrill Life Sciences III	9,007,962
GSO Capital Opportunity	61,834,470	Pappas Ventures III	8,387,407
KRG Capital Fund III	60,106,787	Quaker Bioventures II	8,096,342
Parish Cap Europe I	59,927,838	Highland Consumer I	7,162,779
LG & Bessemer II	58,993,251	Harvest Partners V	7,080,621
Lexington Mid Market	56,678,465	Novak Biddle IV	6,685,880
WLR Recovery Fund IV	56,529,491	NCEF Liquidating Trust	6,147,192
Quintana Energy	55,792,681	KRG Capital Fund IV	5,382,530
Parish Capital II	55,245,085	Intersouth Partners VI	5,253,574
Warburg Pincus IX	52,199,649	Highland Capital VII	5,219,166
Warburg Pincus X	51,997,592	WLR AGO Co-Inv	5,150,000
AG Global Strategy RE	51,250,000	KRG Capital Fund II	5,125,474
Matlin Patterson Glob Opp III	50,168,787	Aurora Ventures V	4,495,970
Elevation Partners	48,277,667	Halifax Cap Partners II	3,710,310
Longreach Capital I	45,150,442	AV Mgmt IV	3,488,146
Sheridan Partners	44,426,652	Highland Capital VI	3,425,474
Avista Capital Partners	44,210,769	NC Economic Opp Fund	3,131,901
Perseus Market Opportunity	40,931,099	ARCH Fund VII	2,471,403
Castle Harlan Partners IV	38,390,865	Pappas Ventures II	2,226,383
Francisco Partners II	37,843,499	Hatteras Venture Partners III	2,122,064
Markstone Capital Partners	32,304,598	Novak Biddle V	1,699,960
Chapter IV Spec Sits	31,290,980	DLJ MB II	1,600,789
Access Cap II	30,876,195	Horsley Bridge IX	1,157,815
WLR AHM Co-Inv	28,086,407	Franklin Fairview I	913,314
Harvest Partners IV	24,710,515	Academy Venture Fund	335,033
Burrill Life Sciences	23,894,524	CIGNA Open End Fund	295,296
AG Cap Recovery V	22,946,878	Harbourvest III	246,401
Credit Suisse NC Inv	22,223,661	Sprout Growth II	211,992
Quintana Energy I Co-Inv	20,699,624	Sprout Capital VI	101,560
Angeleno Inv II	17,392,208	Intersouth Partners III	97,118
TCV VI	17,383,964	Kitty Hawk Capital III	53,910
TPG Biotech II	14,408,379	Carolinas Capital	-
Ampersand 2006	13,649,227	Castle Harlan Partners V	-
Novak Biddle III	13,196,343	Crestview Partners Fund II	-
Horsley Bridge Int'l IV	13,154,434	Pappas Ventures IV	-

Hedge Fund Advisors and Funds as of June 30, 2008

HEDGE FUND ADVISORS AND FUNDS	MARKET VALUE
Franklin Street Partners	464,963,385
Quellos - CARS	424,097,466
AIG DKR Relative Value	49,784,306
Broyhill Fund	12,675,847
Taconic Opp Fund	256,519
Taconic Capital II	-

Ancillary Investment Programs Review

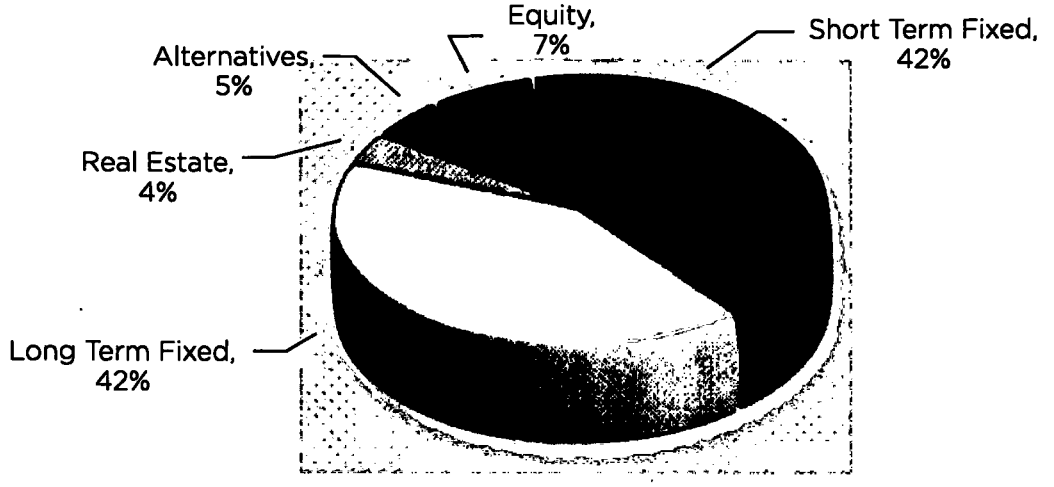
Escheat Investment Program

Pursuant to G.S. 147-69.2(b)(12), up to 20 percent of the Escheat Fund's assets can be invested in authorized Equity, Real Estate and Alternative Investments. For the Fiscal Year ending June 30, 2008, the Escheat Fund maintained a total portfolio market value of $569.8 million with $479.9 million invested in fixed income, $41.4 million invested in equity, $23.7 million invested in real estate and $24.8 million in private equity.

Escheat Asset Allocation as of June 30, 2008

	MARKET VALUE	PORTFOLIO WEIGHT	TARGET WEIGHT
Fixed Income	$479,908,764	84.2%	80.0%
Total Equity	$41,396,027	7.3%	12.0%
Real Estate	$23,699,437	4.2%	4.0%
Alternatives	$24,776,787	4.3%	4.0%
TOTAL FUND	**$569,781,015**	**100.0%**	**100.0%**

Escheats Allocation

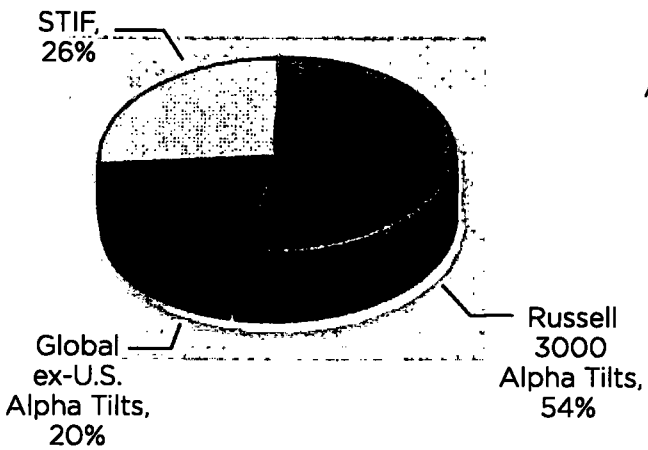


UNC and Public Hospitals

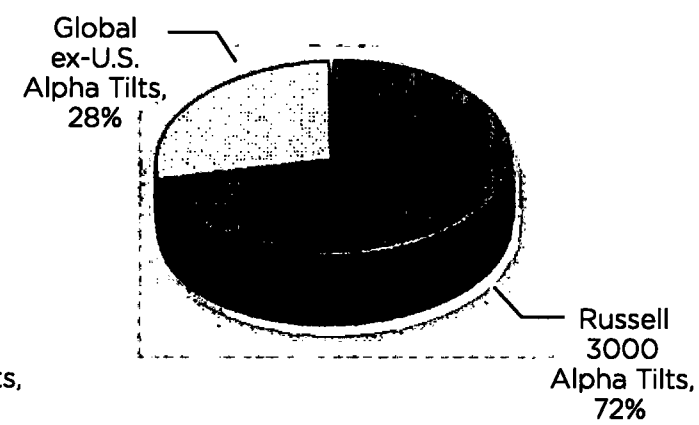
G.S. 147-69.2(b2) & G.S. 147-69.2(b3) allows North Carolina Public Hospitals and UNC Hospital to invest funds with the State Treasurer.

As of June 30, 2008, the UNC Hospital's portfolio maintained a market value of $451,482,241. The market value for the New Hanover Hospital portfolio was $55,236,206 and the market value for the Margaret R. Pardee Hospital plan was $4,091,123. The allocations to the hospital plans are displayed below.

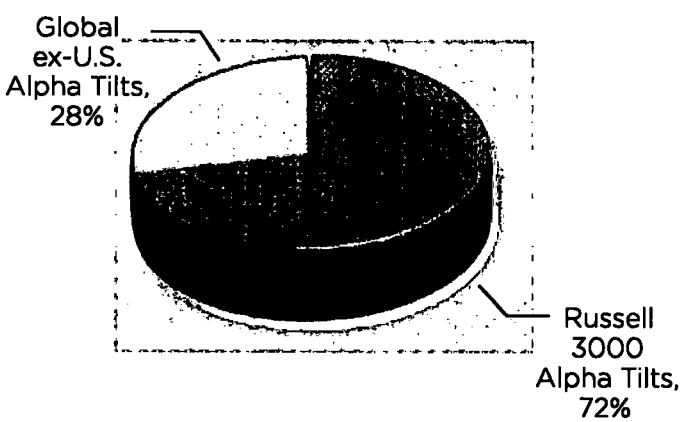
UNC Hospital



New Hanover Hospital



Margaret R. Pardee Hospital



OPEB Fund

G.S. 147-69.2(b4) allows the State Treasurer to invest funds deposited in the Local Government Other Post-Employment Benefits Fund (OPEB) into Public Equity Investments. An initial contribution to the OPEB Fund for Mecklenburg and Buncombe counties was made on July 1, 2008 with an allocation of 65 percent in Equity, 25 percent in the STIF and 10 percent in the LTIF.

Retirement Systems Briefing

SM

North Carolina Retirement Systems

Who We Are:

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

[1]*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

Senate Pensions & Retirement & Aging Committee Briefing

Actual Effect of Inflation in TSERS

Years Retired as of 2008	Cumulative Inflation	Cumulative COLA	Purchasing Power Today as % of Original
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

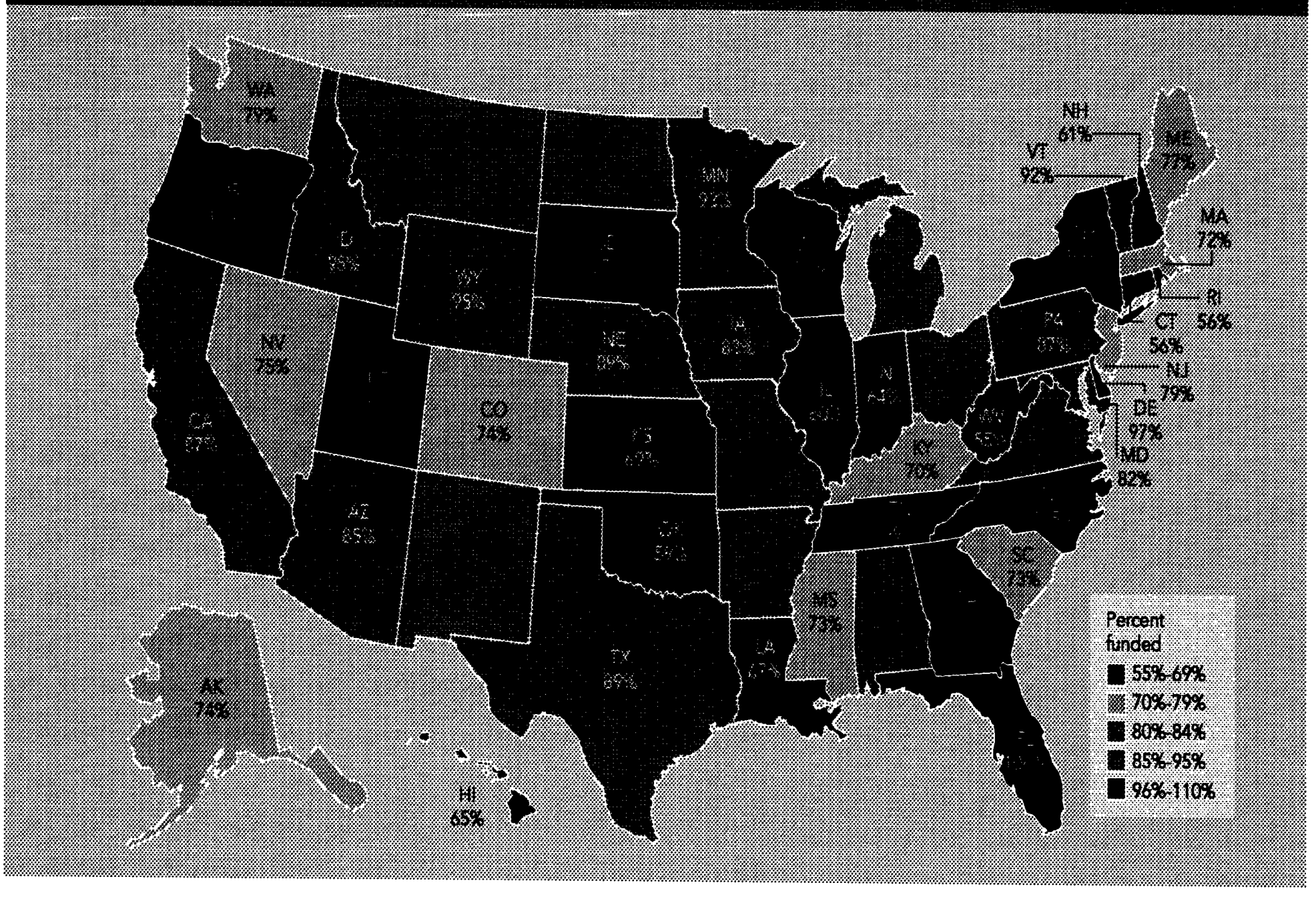
- Optional Participation
- Funded by Employee Contributions
- Contribution Rate Dependent on Age
- General Assembly passed legislation in the 2007 session to increase the Contributory Death Benefit from $9,000 to $10,000

Disability Income Plan

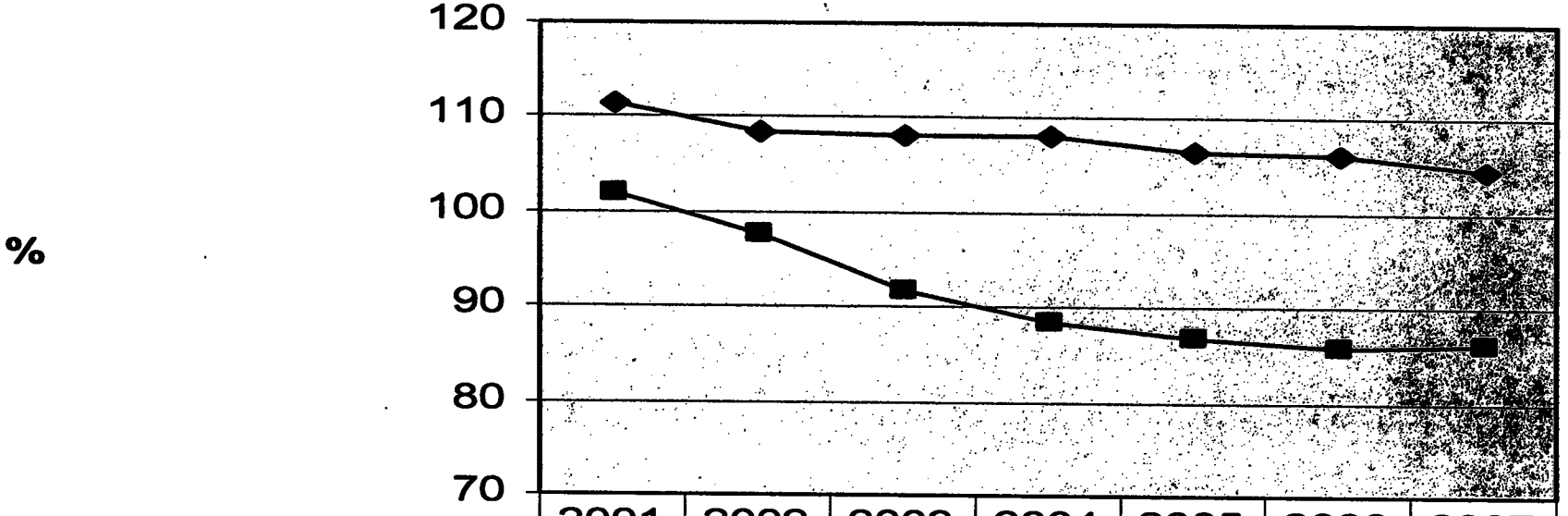
- North Carolina provides replacement income to employees who become physically or mentally disabled and unable to work.
- Disability income is provided initially through the disabled employee's employer as a Disability benefit.
- Extended short-term and long-term disability benefits are provided through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

RETIREMENT SYSTEMS FUNDING

2-1 STATE PENSIONS: FUNDING LEVELS, 2006



Funding Levels



	2001	2002	2003	2004	2005	2006	2007
North Carolina*	111.6	108.4	108.1	108.1	106.5	106.1	104.7
National Average	101.8	97.6	91.8	88.5	86.8	85.7	86.1

**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

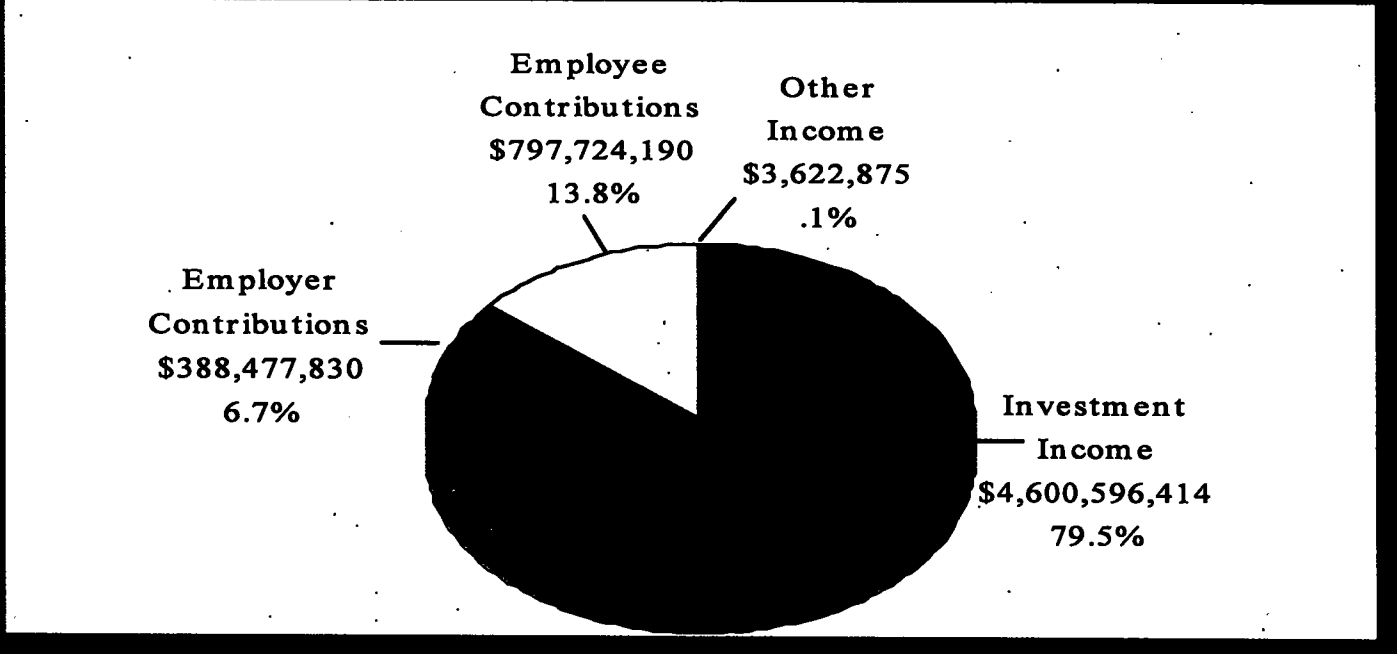
- Working employees contribute 6% of each paycheck
- Employers contribute annually based on recommendations from the Systems' actuary
- State Treasurer invests funds in the System, which generates investment earnings

NC RETIREMENT SYSTEMS DIVISION

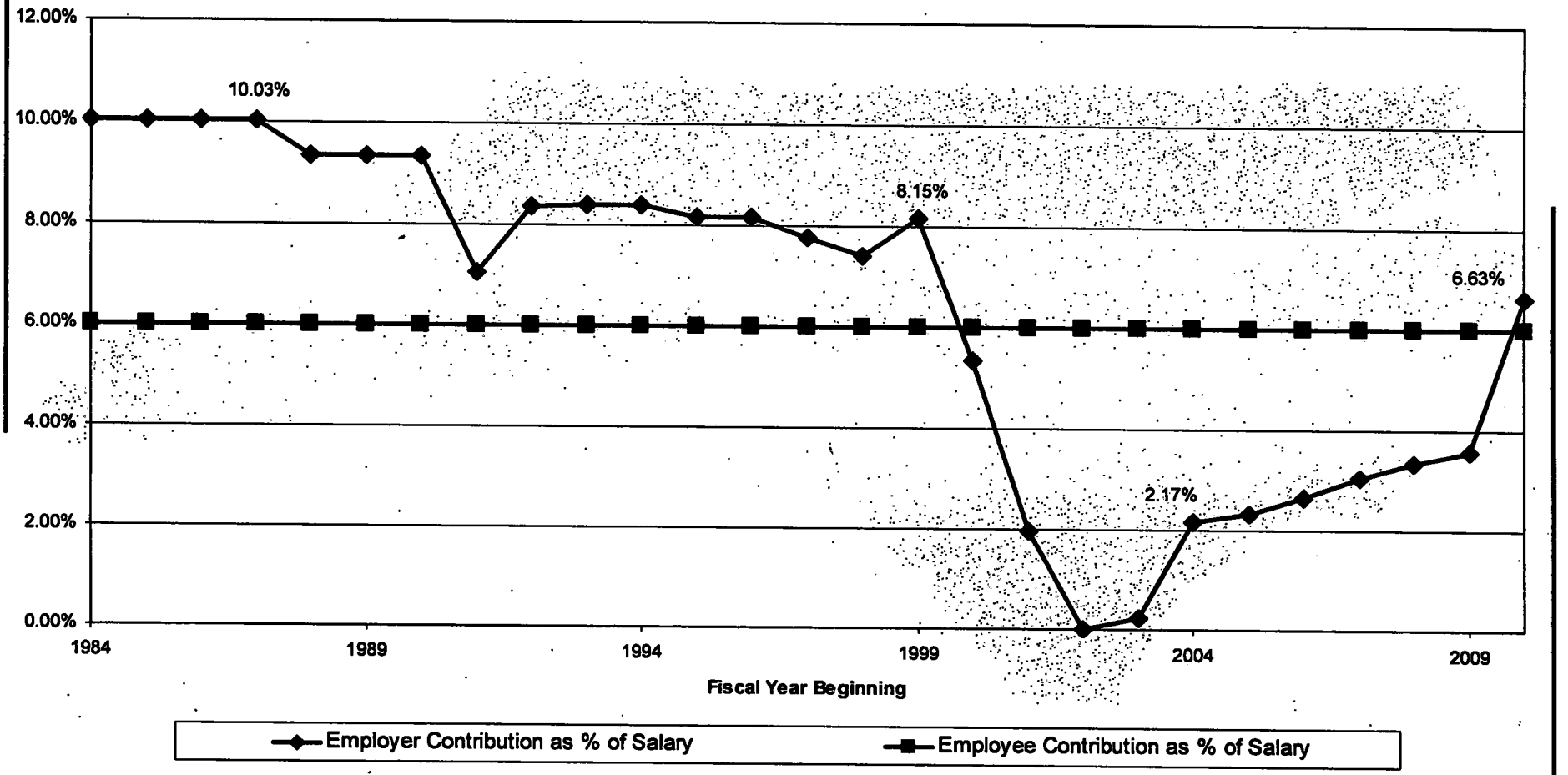
Senate Pensions & Retirement & Aging Committee Briefing

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

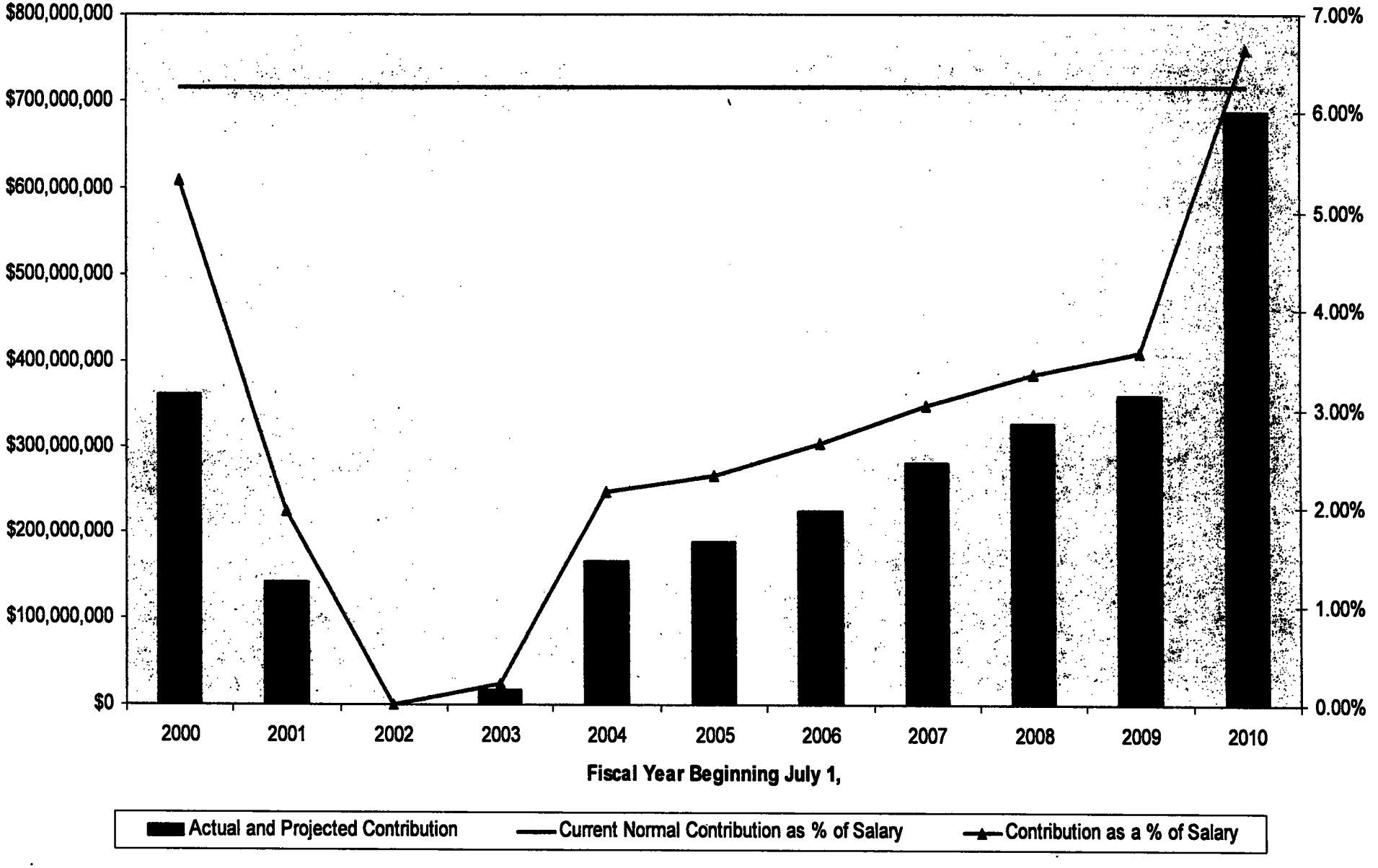
Sources of Funds



Contribution Rates:
Teachers' & State Employees' Retirement System

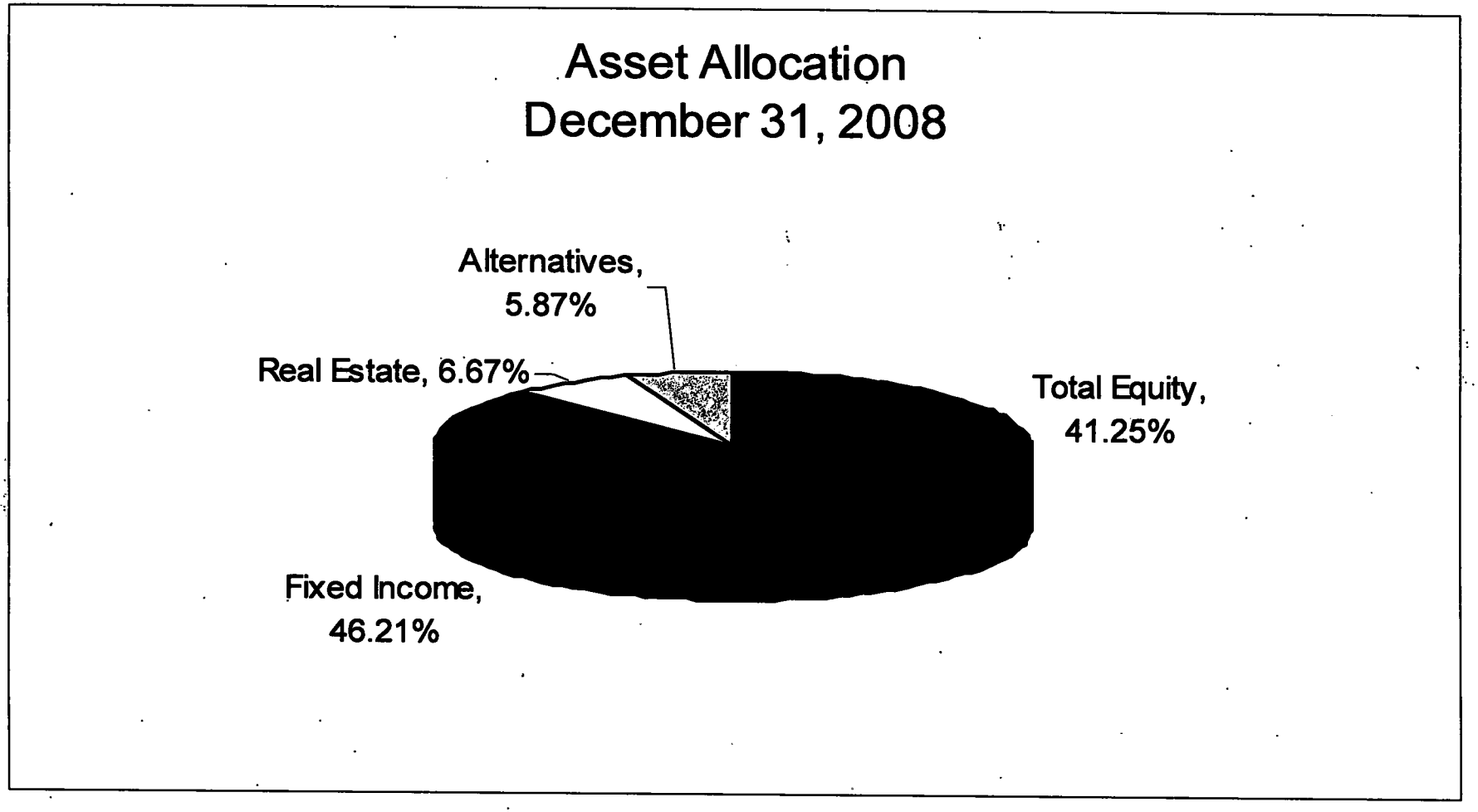


State Contributions to TSERS
General Fund Only



NC RETIREMENT SYSTEMS DIVISION

Senate Pensions & Retirement & Aging Committee Briefing



NC RETIREMENT SYSTEMS DIVISION

Senate Pensions & Retirement & Aging 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

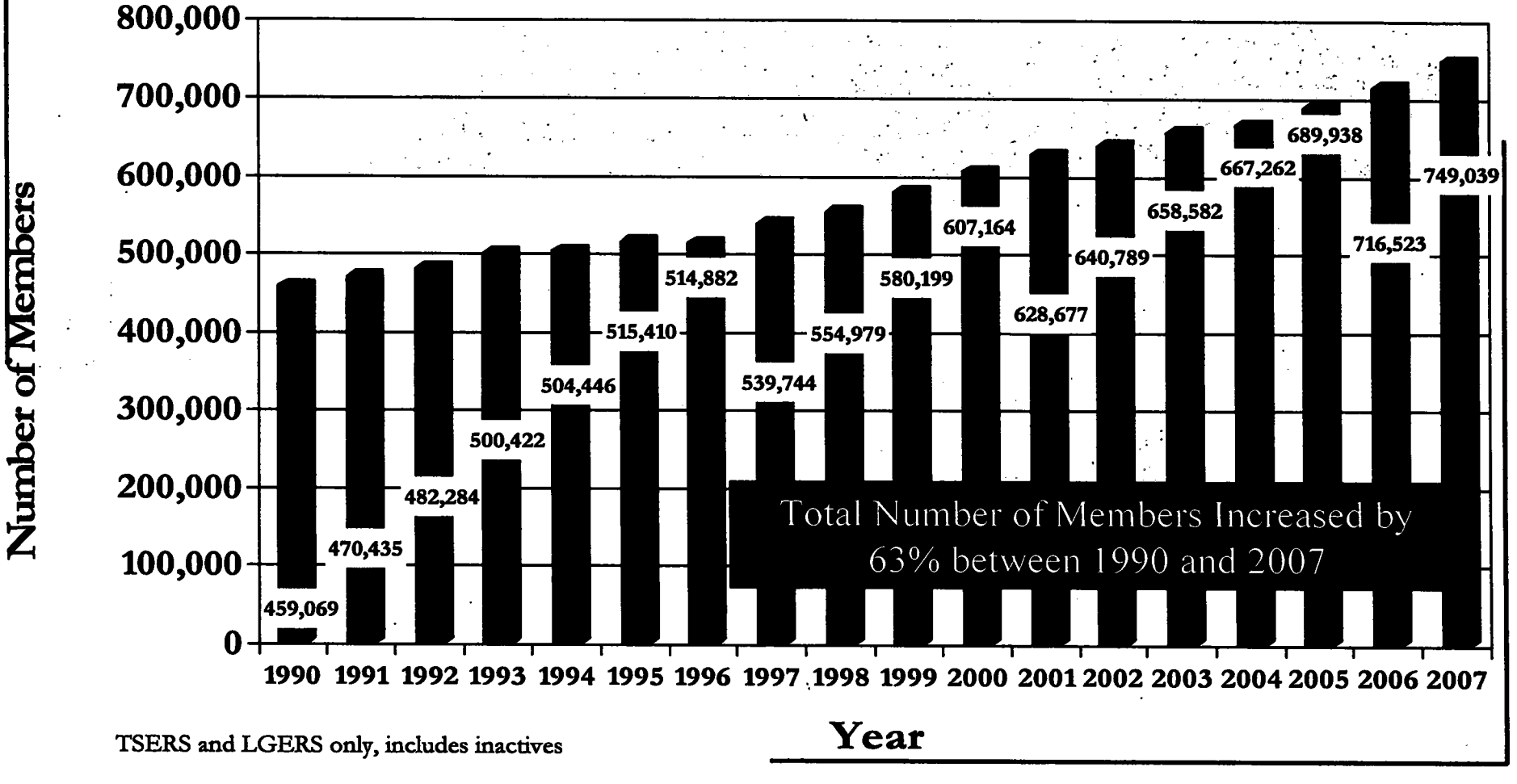
UNPARELLED GROWTH

- 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

Senate Pensions & Retirement & Aging Committee Briefing

Growth in Retirement System Membership From 1990-2007

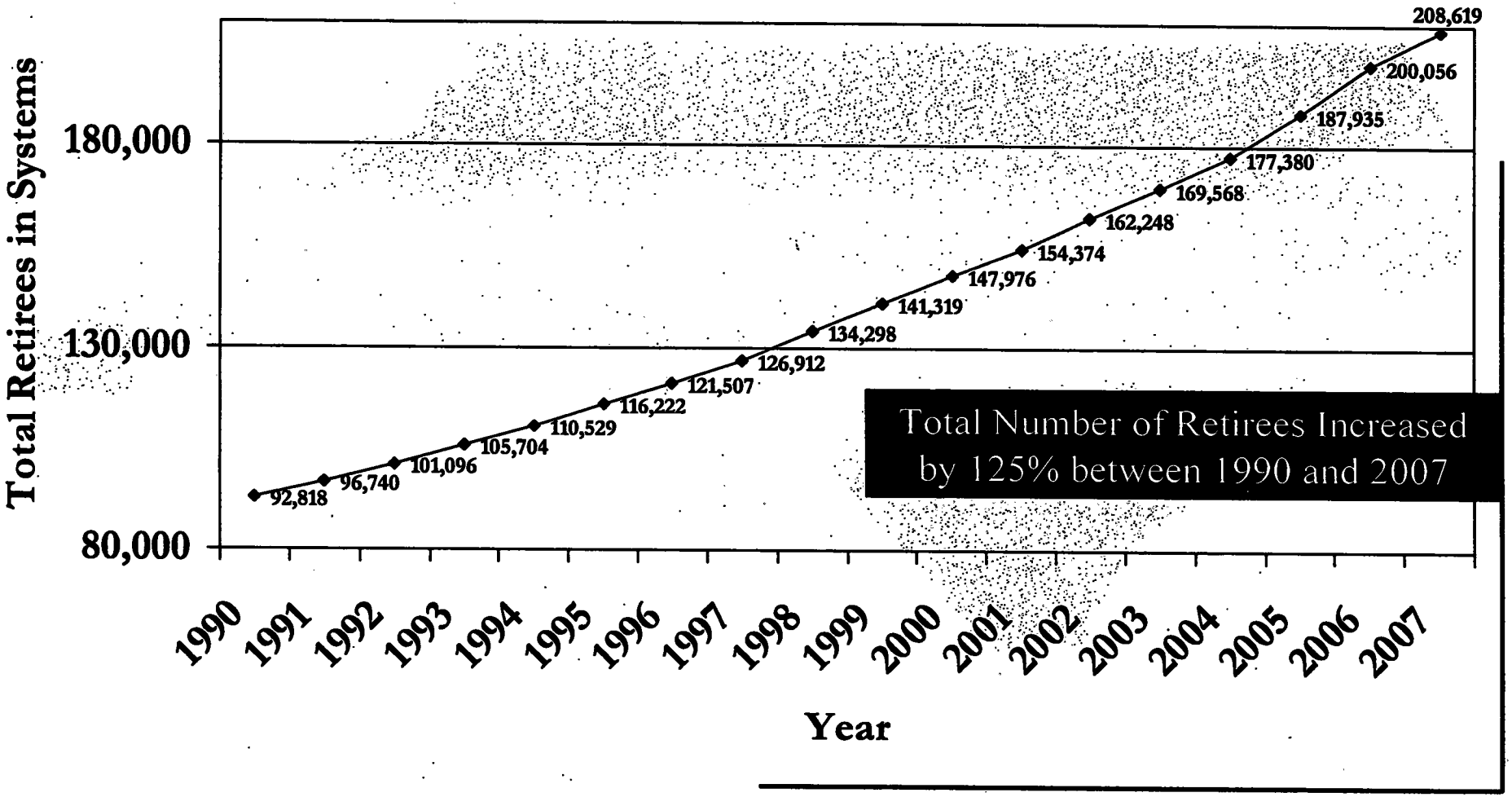


TSERS and LGERS only, includes inactives

NC RETIREMENT SYSTEMS DIVISION

Senate Pensions & Retirement & Aging Committee Briefing

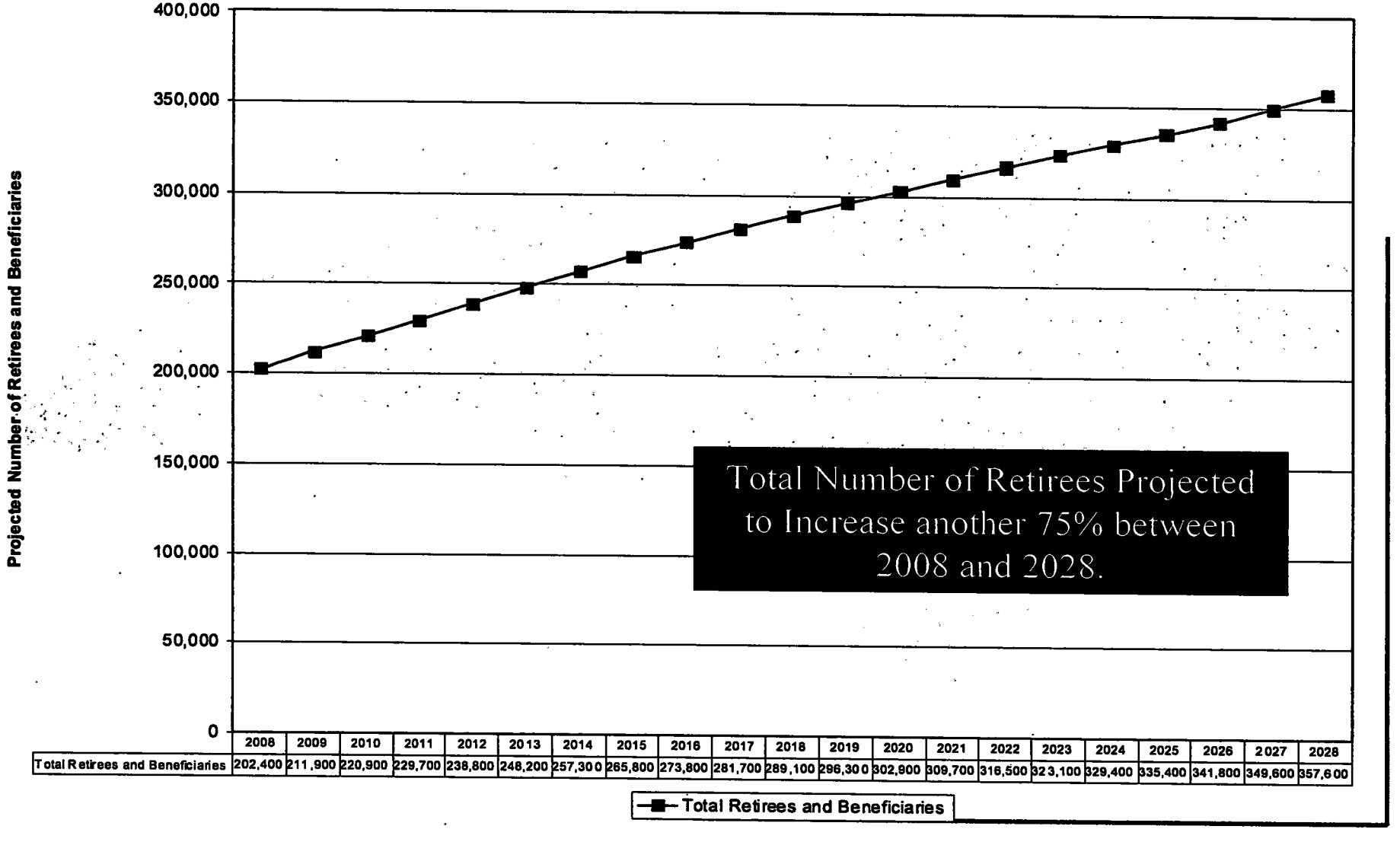
Recent Retiree Trend 1990 – 2007
State and Local Systems



NC RETIREMENT SYSTEMS DIVISION

Senate Pensions & Retirement & Aging Committee Briefing

Projected Retiree Trend for 2008 - 2028
TSERS and LGERS

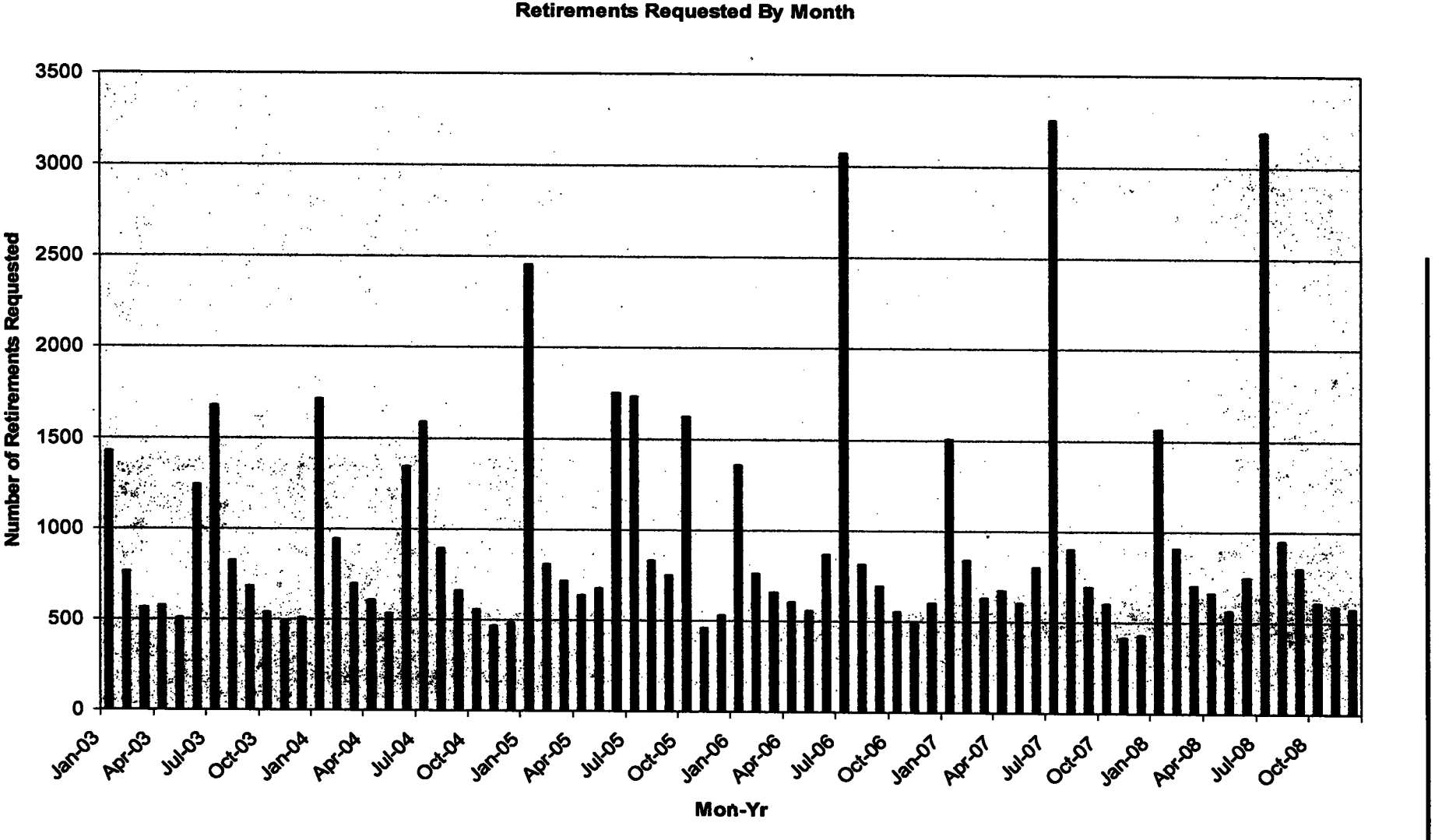


	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total Retirees and Beneficiaries	202,400	211,900	220,900	229,700	238,800	248,200	257,300	265,800	273,800	281,700	289,100	296,300	302,900	309,700	316,500	323,100	329,400	335,400	341,800	349,600	357,600

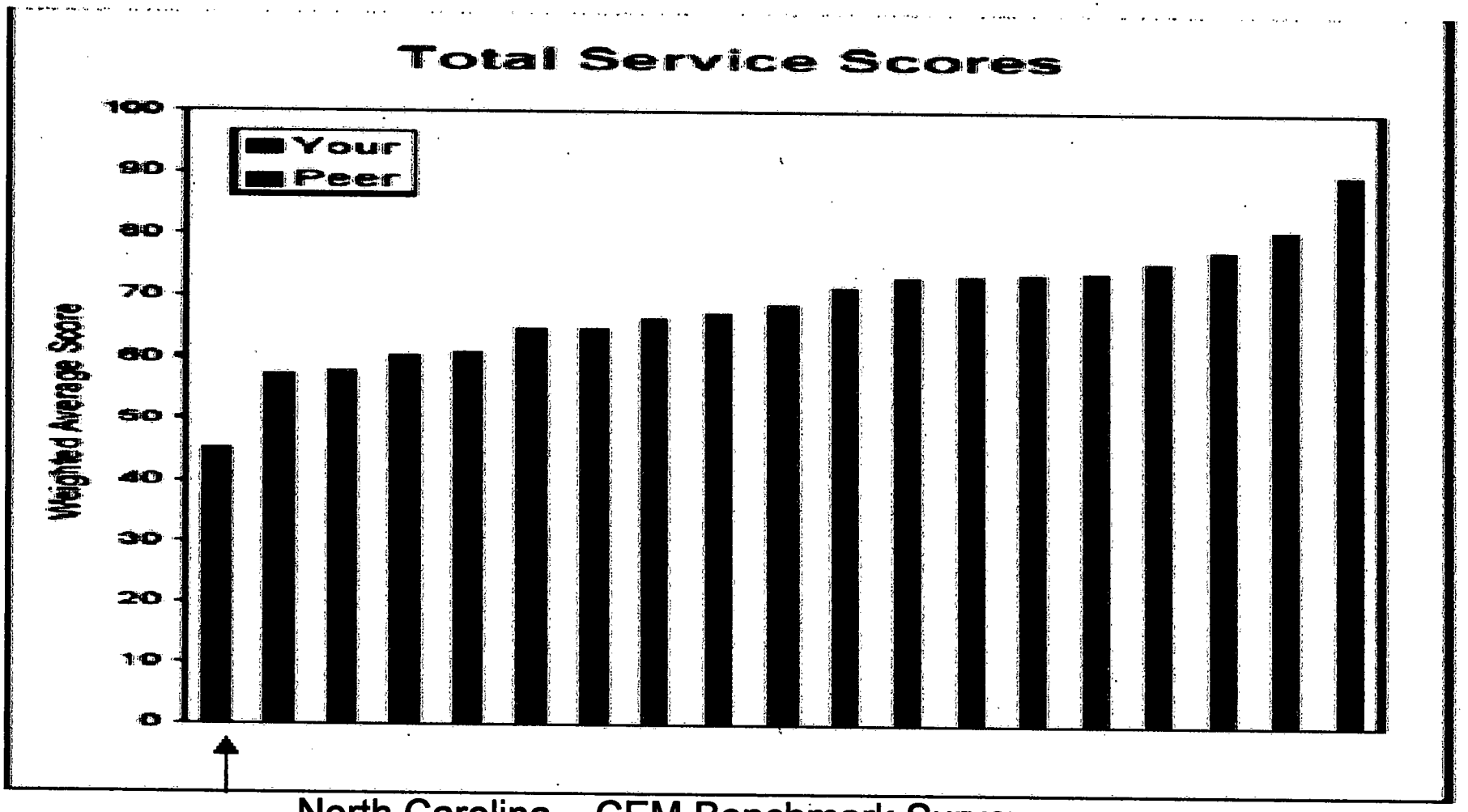
NC RETIREMENT SYSTEMS DIVISION

Senate Pensions & Retirement & Aging Committee Briefing

Retirements Requested by Month



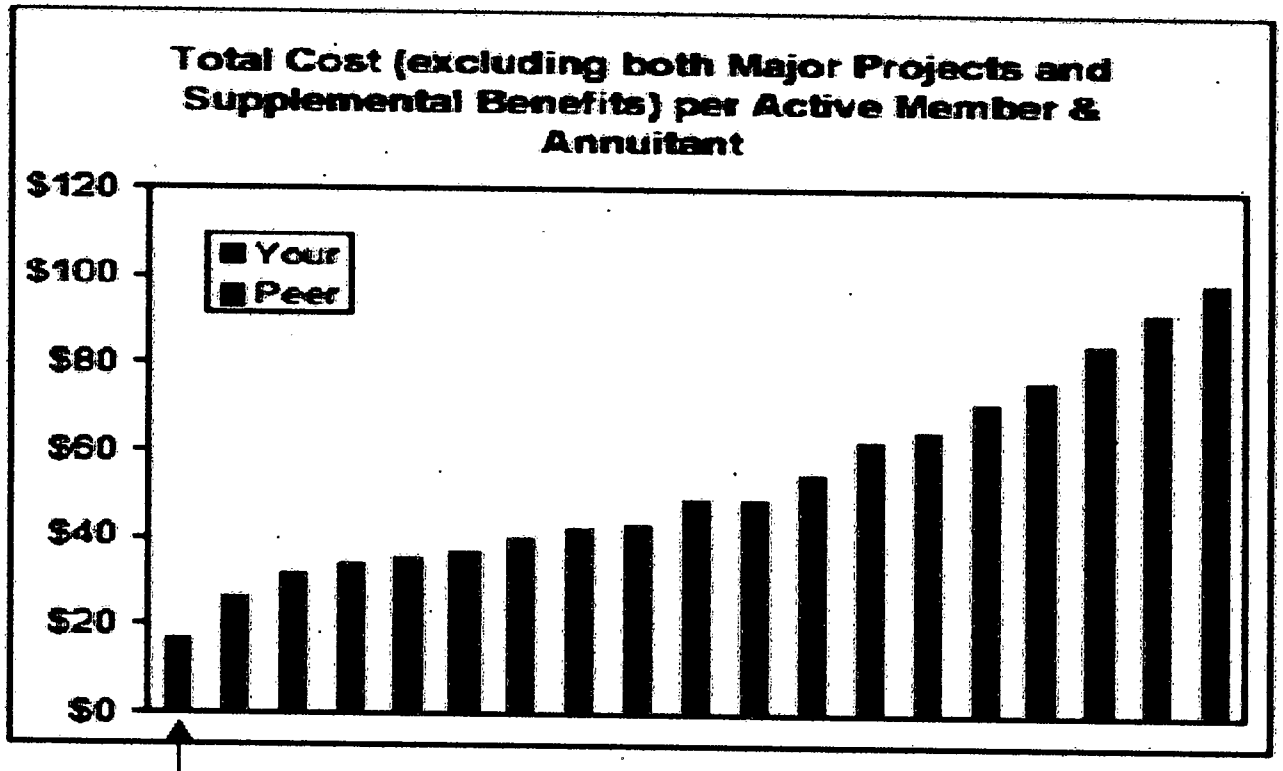
Customer Service (2002)



North Carolina – CEM Benchmark Survey

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.



NC RETIREMENT SYSTEMS DIVISION

Senate Pensions & Retirement & Aging Committee Briefing

Retirement System	Total System Membership	Total Employees	Members Served /Employee
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

North Carolina

ORBIT

Online
Retirement
Benefits through
Integrated
Technology

Retirement Systems Division

Building Brighter Futures for Public Employees℠

North Carolina Retirement Systems

Web Access for Active Employees

Active Employees Can…

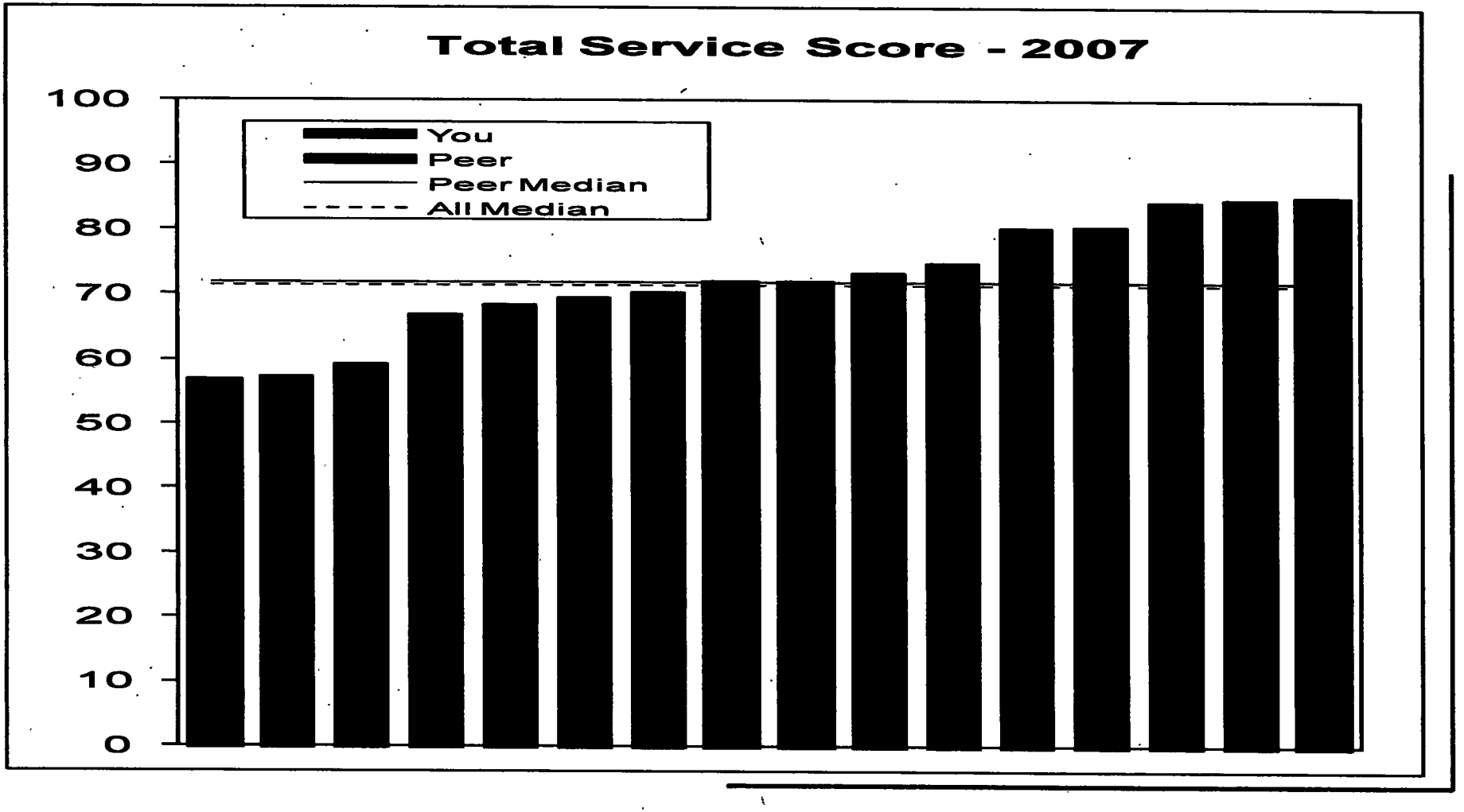
- View their service history, credit and salary information
- View beneficiary information
- Access member annual statements
- Calculate estimated retirements using actual reported salary and service credit

NC RETIREMENT SYSTEMS DIVISION

Senate Pensions & Retirement & Aging Committee Briefing

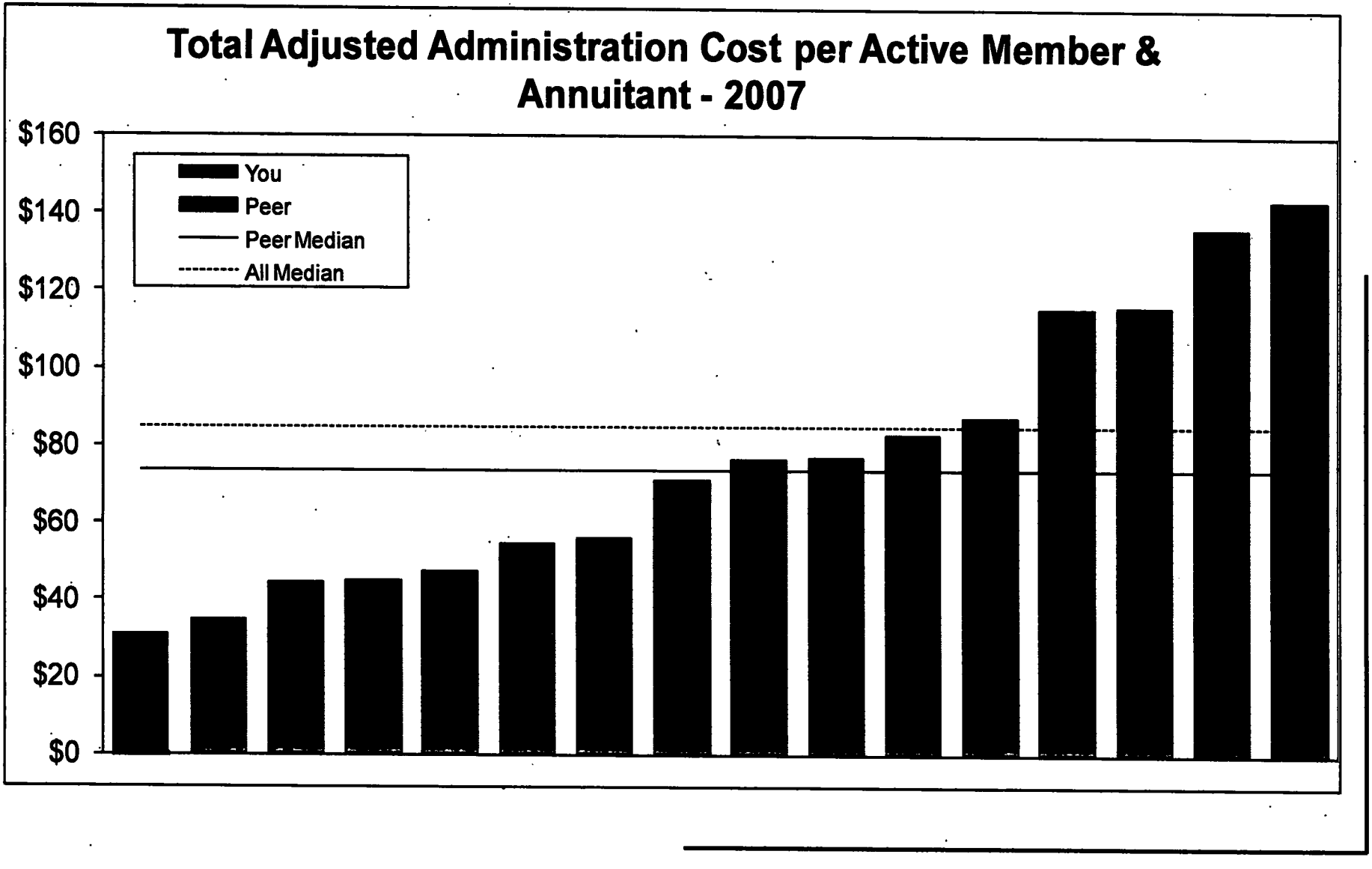
Customer Service:

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



NC RETIREMENT SYSTEMS DIVISION

Senate Pensions & Retirement & Aging Committee Briefing



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.

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

Upcoming Issues

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

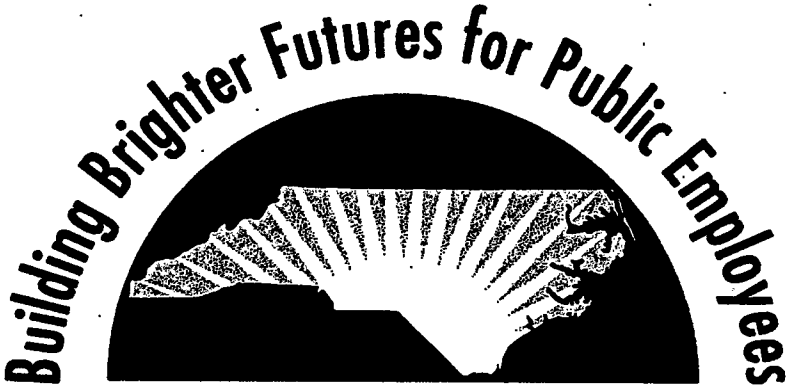
HOW TO CONTACT THE RETIREMENT DIVISION

- **Website:** 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
- **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

Questions & Answers



SM

North Carolina Retirement Systems

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — March 11, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
A. Solari	Treasurer
Pam Deardorff	NCRSP
Cam Cass	BPMLL
Matthew Eisley	citizen
David Vanderweide	Dept of State Treasurer
Chris Killian	[illegible]
Amanda Garrett	NC Register of Deeds
Kim Hargrove	NC Register of Deeds
Anthony Mauro	NCACC
Chris Minard	nc State Bd of Ed

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — March 11, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Heather Barrett	Hunton & Williams
Nick Byrne	Dept. of State Treasurer
Patrick Buffkin	NMRS
Tony Presnell Jr.	NCRSP
Ed Regan	NCRGEA
Michael Williamson	NC State Treasurers
David Starling	NC State Treasurer
Mitch Leonard	SEANC

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — March 11, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Wardell Williams, Jr	N.C. PBA
JOHN MIDGETTE	NC PBA
Patrice Rawls	NCACC
Roz Savitt	NC CCC
Amy McCarley	Smith Anderson
Zeb Alley	NMRS
Jim Blackburn	NC Association of County Commissioners
Janet Cowell	State Treasurer

Senate Pensions & Retirement & Aging Committee
Wednesday, March 18, 2009, 12:00 Noon
423, LOB

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

HB 94	Clarify Definition of Retirement.	Representative Insko Representative Owens, Jr.
SB 204	Retired Nurses Return to Work.	Senator Purcell
SB 558	Retirement System COLAs.	Senator Foriest
SB 559	Increase Fire and Rescue Pension.	Senator Foriest

Presentations

David Vanderweide, NC Department of State Treasurer

Other Business

Adjournment

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

PENSIONS & RETIREMENT & AGING COMMITTEE REPORT
Senator Tony Foriest, Chair

Thursday, March 19, 2009

Senator FORIEST,
submits the following with recommendations as to passage:

FAVORABLE

S.B.	**204**	Retired Nurses Return to Work.	
		Sequential Referral:	None
		Recommended Referral:	None
S.B.	**559**	Increase Fire and Rescue Pension.	
		Sequential Referral:	Appropriations/Base Budget
		Recommended Referral:	None
H.B.(CS #1)	**94**	Clarify Definition of Retirement.	
		Sequential Referral:	None
		Recommended Referral:	None

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL

S.B.	**558**	Retirement System COLAs.	
		Draft Number:	55235
		Sequential Referral:	Appropriations/Base Budget
		Recommended Referral:	None
		Long Title Amended:	Yes

TOTAL REPORTED: 4

Committee Clerk Comments:

MINUTES

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE
Wednesday, March 18, 2009
12:00 p.m.
Room 423, Legislative Office Building

The Senate Pensions & Retirement & Aging Committee met at 12:00 p.m. on Wednesday, March 18, 2009, in Room 423 of the Legislative Office Building. Eight members were present. Fiscal and Research Division staff were present and the Committee Clerk was in attendance. The agenda and visitor registration sheet(s) are attached.

Chairman Foriest called the meeting to order and introduced the pages and sergeant-at-arms staff. He noted that the order of the agenda would be slightly changed.

Presentation – NC Department of State Treasurer

Chairman Foriest recognized David Vanderweide, Policy Director, NC Department of State Treasurer, who addressed the Committee regarding Retirement Legislation Considerations and Typical Proposals (Attachment 1). He spoke about common considerations to use in evaluating retirement legislation and gave on overview of the typical bills that are brought forward to the Committee. Mr. Vanderweide noted that the General Assembly sets benefit policy based on three key decisions: how much to pay, when to pay, and to whom to pay. Benefit policy proposals are based on the questions shown on the handout. Common retirement-related bills that come up year after year are show on the handout as well.

Chairman Foriest thanked Mr. Vanderweide for his presentation.

HB 94 – Clarify Definition of Retirement (Attachment 2)

Senator Malone motioned to take up HB 94. Senator Bingham seconded the motion and it was carried. Representative Owens explained HB 94 as a non-controversial, common sense bill to amend the definition of the term "Retirement" to clarify that service as an unpaid bona fide volunteer in a public school is not considered service for the purpose of the Teachers' and State Employees' Retirement System (TSERS). The bill does not jeopardize the TSERS nor does it cost the State anything.

Senator Stevens moved for a favorable report of HB 94. Senator Atwater seconded the motion and it was carried.

SB 204 – Retired Nurses Return to Work (Attachment 3)

Senator Purcell motioned to take up SB 204. Senator Malone seconded the motion and it was carried. Senator Purcell explained SB 204 which enables retirees of the TSERS to return to employment as nursing instructors without losing retirement benefits. He noted that there are 3,000 nursing jobs available in NC that cannot be filled because there are no nurses to fill them. There are nurse teachers, ready for retirement or already retired, who are willing to come back to teach if their retirement was protected. This bill will help provide more nurse teachers and

thereby more nurses to help meet this critical shortage. Stanley Moore of the General Assembly's Fiscal Research Division (FRD) addressed the Committee with further specifics on SB 204. He noted that the cost of the bill would be very little (less than 0.01% of total payroll) as a result of enactment of the bill.

Senator Bingham moved for a favorable report of SB 204. The motion was seconded and carried.

SB 558 – Retirement System COLAs (Attachment 4)

Chairman Foriest relinquished chairmanship to Senator Stevens for discussion on of SB 558 and SB 559 as he is the primary sponsor of the bills. Senator Stevens recognized Stanley Moore, FRD, to explain SB 558 which shows the intent of the NCGA to grant Cost-of-Living Adjustments (COLAs) for retirees of the TSERS and the Consolidated Judicial Retirement System (CJRS) equal to pay raises granted to state employees with a maximum of 1%. The actual cost is $32.6 million, general fund appropriation for the TSERS, and $353,600, general fund appropriation for CJRS. This is an annual cost on a recurring basis to properly fund. There is a PCS (Attachment 7). Senator Purcell moved that the PCS is accepted for consideration. Senator Bingham seconded the motion and the motion was carried.

Senator Bingham moved for a favorable report of SB 558 - unfavorable report as to original bill, favorable adoption of the PCS. The motion was carried.

SB 559 – Increase Fire and Rescue Pension (Attachment 5)

Senator Stevens recognized Mr. Moore, FRD, to explain SB 559. Mr. Moore explained that SB 559 was a recommendation by the Board of Trustees of the Firemen's and Rescue Squad Workers' Pension Fund (FRSWPF) to increase the benefit paid to retired firemen and rescue squad workers from $170/month to $173/month. A worker must work 20 years and be age 55 to qualify. This covers both active and volunteer firemen. SB 559 appropriates $522,191 for the 2009-2010 fiscal year to the FRSWPF for funds not transferred to the Fund in 2001 with interest since 2001 at valuation rate. Additionally, SB 550 appropriates $317,000 for the 2009-2010 fiscal year to provide the additional amount needed for the annual required contribution.

Senator Queen moved for a favorable report of HB 559. Senator Preston seconded the motion and the motion was carried. Both bills have sequential referrals to Appropriations/Base Budget.

Chairman Foriest resumed chairmanship and thanked everyone for participation.

The meeting was adjourned at 12:25 p.m.

Senator Anthony Foriest, Chair Presiding

Jacqueline F. Ray, Committee Clerk

(NOTE: Minutes were assembled for library use after the Presiding Chair left office and vacated the NCGA.)

Attachment 1

Retirement Legislation
Considerations and Typical Proposals

Questions to Ask When Evaluating Retirement Benefit Policy

1. Does it help governments attract the best new hires and retain the best employees later in their careers? Are attraction and retention significant concerns and what level of benefits is needed to achieve them?
2. Does it encourage employees to leave when they are no longer productive?
3. Does it encourage unwanted behavior, for example staying on disability instead of returning to work or working lots of unneeded overtime in the final years? Consider both intended and unintended behaviors.
4. Is every benefit increase accompanied by the appropriation specified in the fiscal/actuarial note? Is that appropriation affordable and is this a better way to spend that money than the alternatives?
5. Is the benefit sufficient, when added to other sources of income, to provide a reasonable standard of living upon retirement, death, or disability?
6. Are different groups treated fairly and are government employees/retirees treated fairly relative to other citizens?
7. Are the benefits straightforward and easy to understand?
8. Can the benefits be administered easily? If not, are additional resources allocated for administration?
9. Does the provision comply with other state and federal laws?
10. Does this create a precedent that will lead to unwanted policy in the future?

Common Retirement-Related Bills with Examples

1. Cost-of-Living Increases (COLAs)
   - Giving COLA equal to state employee pay increases up to 1% (HB 429 / SB 558)
2. Benefit Increase in Pay-Related Formulas
   - Increasing TSERS formula from 1.82% x Service x Compensation to 1.85% x Service x Compensation (No 2009 Bills Yet)
3. Benefit Increase in Dollar-Based Formulas
   - Increasing Fire & Rescue benefit from $170 per month to $173 per month (HB 549 / SB 559)
   - Increase National Guard benefit (No 2009 Bills Yet)
4. Return to Work
   - Allowing retired teachers to return to work after 4 months and allowing all retirees to return as a contractor (HB 229 / SB 362)
   - Allowing retired nursing instructors to return to work if certain conditions are met (HB 329 / SB 204)
   - Allowing retirees to return to the schools as volunteers (HB 94)
5. Service Purchase
   - Subsidize purchase of withdrawn service for a brief period (No 2009 Bills Yet)
6. Disability
   - Eliminate offset for veteran's benefits (SB 154)
   - Remove 1 year of service requirement for law-enforcement, fireman, and rescue squad worker injured in line-of-duty (SB 557)
7. Supplemental Retirement
   - Automatically enroll new hires in the 401(k) plan (No 2009 Bills Yet)
8. Early Retirement (Permanent)
   - Allow law-enforcement officers to retire with 25 years of service (SB 624)
9. Early Retirement (One-Time)
   - Give $10,000 bonus to anyone who retires before December 31, 2009 (No 2009 Bills Yet)
10. Technical Corrections
    - Clarify ambiguous provisions, change statutes to simplify administration (In Drafting)

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H 2

HOUSE BILL 94
Committee Substitute Favorable 3/4/09

Short Title: Clarify Definition of Retirement. (Public)

Sponsors:

Referred to:

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 bona fide volunteer in a local school administrative unit shall not be considered service."

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

Attachment 2

HOUSE BILL 94:
Clarify Definition of Retirement

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	March 18, 2009
Introduced by:	Reps. Owens, Insko	**Prepared by:**	Karen Cochrane-Brown
Analysis of:	Second Edition		Committee Counsel

SUMMARY: House Bill 94 amends the definition of the term "Retirement" to clarify that service as an unpaid bona fide 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 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 amends the law to further clarify the definition of retirement. The bill proposes to add a provision stating that service as an unpaid bona fide 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-11(e2) v1

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

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

buckconsultants
an ACS company

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

RAM:km
\NC\COR\90213RM1.DOC

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

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

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 to have a financial impact on the TSERS.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

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, Kinnaird, 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

permanent full-time or part-time capacity that exceeds fifty percent (50%) of the applicable workweek in a public school. The Department of Public Instruction shall certify to the Retirement System that a beneficiary is employed to teach by a local school administrative unit under the provisions of this sub-subdivision and as a retired teacher as the term is defined under the provisions of G.S. 115C-325(a)(5a).

The computation of postretirement earnings of a beneficiary under this sub-subdivision, who retired after October 1, 2007, 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 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 permanent full-time or part-time capacity that exceeds fifty percent (50%) of the applicable workweek in a public school. The Department of Public Instruction shall certify to the Retirement System that a beneficiary is employed to teach by a local school administrative unit under the provisions of this sub-subdivision and as a retired teacher as the term is defined under the provisions of G.S. 115C-325(a)(5a).

The computation of postretirement earnings of a beneficiary under this sub-subdivision who retired on or before June 1, 2009, regardless of age or years of creditable service, or who 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 who 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 months immediately preceding the effective date of reemployment, shall not include earnings while the beneficiary is employed to teach in a permanent full-time or part-time capacity that exceeds fifty percent (50%) of the applicable workweek as a nursing instructor in a certified nursing program for a maximum period of three years.

In order for a retired nursing instructor to be rehired, the community college or university must certify to the Teachers' and State Employees' Retirement System that it has a shortage of qualified nursing instructors, and must:

1. Make a good faith effort to fill positions with qualified nursing instructors who are not retirees;
2. Post the vacancy or vacancies for at least two months;
3. Solicit applications through local newspapers, other media, and nursing education programs; and
4. Determine that there is an insufficient number of eligible applicants for the advertised position or positions.

The North Carolina Community College System and The University of North Carolina shall certify to the Retirement System that a beneficiary is employed to teach as a nursing instructor with a

State-supported community college or a State-supported university under the provisions of this sub-subdivision.

Beneficiaries employed under this sub-subdivision are not entitled to any benefits otherwise provided under this Chapter as a result of this period of employment."

SECTION 2. Notwithstanding any other provision of law, effective July 1, 2009, each community college or university employing a retired nursing instructor under the provisions of G.S. 135-3(8)c. shall pay to the Teachers' and State Employees' Retirement System a Reemployed Nurse Contribution Rate of eleven and seventy-hundredths percent (11.70%) as a percentage of covered salaries being paid to the retired nursing instructors who are exempt from the earnings cap under this act. Each community college or university shall report monthly to the Retirement Systems Division on payments made pursuant to this section.

SECTION 3. The North Carolina Community College System and The University of North Carolina shall report in writing to the General Assembly by January 1, 2011, on whether the reemployment of retired nursing instructors under this act is effectively assisting the community colleges and the universities to address the shortage of qualified nursing instructors.

SECTION 4. This act becomes effective July 1, 2009, and expires June 30, 2013.

NORTH CAROLINA GENERAL ASSEMBLY
Legislative Services Office

George R. Hall, Legislative Services Officer

Fiscal Research Division
300 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: Senator William Purcell

FROM: Stanley Moore SM
Fiscal Research Division

SUBJECT: Actuarial Note for Senate Bill 204

Re: Retired Nurses Return to Work

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: Senate Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Buck Consultants
(3) Actuarial Note. Hartman & Associates

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 204 (First Edition)

SHORT TITLE: Retired Nurses Return to Work.

SPONSOR(S): Senator Purcell

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

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

EFFECTIVE DATE: July 1, 2009

BILL SUMMARY: Provides that the computation of postretirement earnings of a retiree under the Teachers' and State Employees' Retirement System will not include the retirees earnings while the retiree is employed to teach in a permanent full-time or part-time capacity that exceeds 50% of the applicable workweek as a nursing instructor in a certified nursing program for a maximum of three years provided that the retiree meets the following criteria: (1) retires on or before June 1, 2009, regardless of age or years of creditable service, or (2) retires 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. Additionally requires that the retiree must have been retired for at least six months and must not have been employed in any capacity with a state-supported community college or university for at least six months immediately preceding the effective date of reemployment.

The bill requires that the community college or university must certify to the retirement system that it has a shortage of qualified nursing instructors before it may rehire a retired nursing instructor. Provides additional criteria regarding rehiring retired nursing instructors.

Effective July 1, 2009, directs each community college or university that employs a retired nursing instructor under the proposed new provisions of GS 135-3(8)c to pay to 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 under the proposed provisions and to make monthly reports on the payments to the Retirement Systems Division.

Directs the NC Community College System and the University of North Carolina to make a written report to the General Assembly by January 1, 2011, on the effectiveness of these proposed provisions in addressing the shortage of qualified nursing instructors.

Effective July 1, 2009 and expires June 30, 2013

ESTIMATED IMPACT: 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.

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

Signed Copy Located in the NCGA Principal Clerk's Offices

buckconsultants
an ACS company

March 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 329 / Senate Bill 204

Dear Mr. Vanderweide:

We have received your request of February 18 regarding House Bill 329 / Senate Bill 204, which affects the Teachers' and State Employees' Retirement System (TSERS).

Section 1 of this proposed legislation amends G.S. 135-3(8)c and appears to allow members who retire prior to July 1, 2009 to return to work as nursing instructors after at least six months without losing retirement benefits. Additionally, this legislation appears to allow members who retire on or after July 1, 2009 after attaining:

(i) age 65 with at least five years of creditable service;

(ii) age 60 with at least 25 years of creditable service; or

(iii) 30 years of service

to return to work as nursing instructors after at least six months without losing retirement benefits, as long as such members have not been employed with a state community college or university in the six months preceding the rehire date. The rehired nursing instructors would be allowed to return to work for a maximum period of three years. The community college or university that rehires a member to be a nursing instructor must certify to TSERS that it has a shortage of qualified nursing instructors. The effective date of this proposed legislation is July 1, 2009 and the expiration date is June 30, 2013.

Based on the results of the December 31, 2007 valuation of TSERS (which includes approximately 1,000 nursing instructors) and a modification to the retirement assumptions to reflect the earlier retirements that would arise due to these proposed changes, the cost to the Retirement System for this proposed legislation is less than 0.01% of payroll.

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

Section 2 of this proposed legislation also requires each community college or university that rehires a member to be a nursing instructor to contribute 11.70% of pay for each rehired, retired nursing instructor exempt from the earnings cap. We have not reflected this provision in the cost estimate above.

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/mar

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

RAM:km
\NC\COR\90312RM1.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 14, 2009

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

Re: Senate Bill 204: An Act to Enable Retirees of the TSERS to Return to Employment as Nursing Instructors Without Losing Retirement Benefits

Dear Mr. Moore:

Currently, G.S. 135-3(8)c provides that if a member of the Teachers' and State Employees' Retirement System (TSERS) retires on an early or service retirement allowance and is later reemployed by an employer participating in the retirement system, his retirement benefit is reduced during the 12 month period immediately following retirement or in any calendar year in which his earnings exceed the greater of 50% of his compensation prior to retirement or $20,000, as indexed. If certain conditions are met, post-retirement earnings do not include amounts earned while employed to teach in a public school if the member was retired at least 6 months and had not been employed with a public school during the 6-month period.

This bill provides an additional exemption from the postretirement earnings limitation for members reemployed to teach as nursing instructors. To be eligible for this exemption, the member must

1. Have retired on or before June 1, 2009 or, if retiring on or after July 1, 2009, have attained age 65 with 5 years of service, attained age 60 with 25 years of service, or have 30 years of service;
2. Have been retired at least 6 months and have not been employed in any capacity with a State-supported community college or State-supported university during the 6 months; and
3. Be reemployed to teach in a permanent full-time or part-time capacity that exceeds 50% of the applicable workweek as a nursing instructor in a certified nursing program for a maximum period of three years.

This bill requires the community college or university that rehires the member to certify to the TSERS that it has a shortage of qualified nursing instructors. It must make a good faith effort to fill positions with instructors who are not retirees, and must post the vacancy and solicit applications. The bill also requires each community college or university to pay to the TSERS a Reemployed Nurse Contribution Rate of 11.7% of the salary paid to retired nursing instructors who are exempt from the earnings cap.

This act is effective July 1, 2009 and expires June 30, 2013.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 558

Short Title:	Retirement System COLAs.	(Public)
Sponsors:	Senators Foriest; Hoyle, Jones, Malone, McKissick, Preston, Snow, and Swindell.	
Referred to:	Pensions & Retirement & Aging.	

March 12, 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 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 members 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%).

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

Attachment 4

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 558
PROPOSED COMMITTEE SUBSTITUTE S558-CSSH-6 [v.1]

3/18/2009 9:42:02 AM

Short Title: Retirement System COLAs. (Public)

Sponsors:

Referred to:

March 12, 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.

SENATE BILL 558:
Retirement System COLAs

2009-2010 General Assembly

Committee:	Senate Ref to Pensions & Retirement & Aging. If fav, re-ref to Appropriations/Base Budget	**Date:**	March 18, 2009
Introduced by:	Sen. Foriest	**Prepared by:**	Theresa Matula Committee Staff
Analysis of:	PCS to First Edition S558-CSSH-6		

SUMMARY: The Proposed Committee Substitute for Senate Bill 558 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 Senate Bill 558 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 adding the word "CONSOLIDATED" before Judicial Retirement System in the long title and changing the word "members" to "beneficiaries" in the body of the bill.

EFFECTIVE DATE:

This bill would become effective July 1, 2009.

S558-SMSH-28(CSSH-6) v1

NORTH CAROLINA GENERAL ASSEMBLY
Legislative Services Office
George R. Hall, Legislative Services Officer

Fiscal Research Division
300 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: Senator Tony Foriest

FROM: Stanley Moore SM
Fiscal Research Division

SUBJECT: Actuarial Note for Senate Bill 558

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: Senate Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Buck Consultants
(3) Actuarial Note. Hartman & Associates

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 558 (First Edition)

SHORT TITLE: Retirement System COLAs.

SPONSOR(S): Senator Foriest

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 System.

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.

	2009-10	2010-11	2011-12	2012-13	2013-14
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	$12.5M	$13.2M	$13.9M	$14.7M	$15.5M
Total Cost	**$46.7M**	**$49.2M**	**$51.9M**	**$54.8M**	**$57.8M**

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.

	2009-10	2010-11	2011-12	2012-13	2013-14
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	$12.1M	$12.8M	$13.5M	$14.2M	$15.0M
Total Cost	**$45.2M**	**$47.7M**	**$50.3M**	**$53.0M**	**$55.9M**

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.

	2009-10	2010-11	2011-12	2012-13	2013-14
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.

	2009-10	2010-11	2011-12	2012-13	2013-14
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

Signed Copy Located in the NCGA Principal Clerk's Offices

buckconsultants.
an ACS company

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

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

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.

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\90202RM2.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% 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 Hartman

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

MVH/mt

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 559*

Short Title:	Increase Fire and Rescue Pension.	(Public)
Sponsors:	Senators Foriest; Hoyle, Jones, Malone, McKissick, Preston, Snow, and Swindell.	
Referred to:	Pensions & Retirement & Aging.	

March 12, 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 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.

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-three dollars ($173.00) 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-three dollars ($173.00) 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-three dollars ($173.00) 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 a pension as provided by this section. 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.

A member who, because his residence is annexed by a city under Part 2 or Part 3 of Article 4A of Chapter 160A of the General Statutes, or whose department is closed because of an annexation by a city under Part 2 or Part 3 of Article 4A of Chapter 160A of the General Statutes, or whose volunteer department is taken over by a city or county, and because of such annexation or takeover is unable to perform as a fireman or rescue squad worker of any status, and if the member 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 upon attaining the age of 55 years and completion of such contributions shall be entitled to receive a pension as provided by this section. Any application to make monthly contributions under this section shall be subject to a finding of eligibility by the Board of Trustees upon application of the member.

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

SECTION 2. There is appropriated from the General Fund to the Department of State Treasurer the sum of five hundred twenty-two thousand one hundred ninety-one dollars ($522,191) for the 2009-2010 fiscal year 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.

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

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

SENATE BILL 559:
Increase Fire and Rescue Pension

2009-2010 General Assembly

Committee:	Senate Ref to Pensions & Retirement & Aging. If fav, re-ref to Appropriations/Base Budget	**Date:**	March 18, 2009
Introduced by:	Sen. Foriest	**Prepared by:**	Theresa Matula Committee Staff
Analysis of:	First Edition		

SUMMARY: ***Senate Bill 559 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 H549, as introduced by Rep. Tucker, which is currently in House Pensions and Retirement, if favorable, Appropriations.]

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 Senate Bill 559 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.

Section 2 of the bill appropriates $522,191 for the 2009-2010 fiscal year to repay the Firemen's and Rescue Squad Workers' Pension Fund in full for funds not transferred to the Fund in 2001. It includes interest since 2001 at the valuation rate.

Section 3 of the bill appropriates $317,000 for the 2009-2010 fiscal year to provide the additional amount needed for the annual required contribution.

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	$173 *proposed*	$3/month *proposed*

NORTH CAROLINA GENERAL ASSEMBLY
Legislative Services Office

George R. Hall, Legislative Services Officer

Fiscal Research Division
300 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: Senator Tony Foriest

FROM: Stanley Moore SM
Fiscal Research Division

SUBJECT: Actuarial Note for Senate Bill 559

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: Senate Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Buck Consultants
(3) Actuarial Note. Hartman & Associates

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 559 (First Edition)

SHORT TITLE: Increase Fire and Rescue Pension.

SPONSOR(S): Senator Foriest

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:

	2009-10	2010-11	2011-12	2012-13	2013-14
$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:

	2009-10	2010-11	2011-12	2012-13	2013-14
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

	2009-10	**2010-11**	**2011-12**	**2012-13**	**2013-14**
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

buckconsultants.
an ACS company

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

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

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
\NC\COR\90202RM3.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 Hartman

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

MVH/mt

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — March 18, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Patrick Buffkin	Nelson Mullins
Chip Killian	" "
Zeb Alley	" "
Paul Meyer	NCLM
Bill Styres	OSA
R. George Bowden	Senate
Anthony Sobaski	Treasurer
David Starling	Treasurer
Robin Millar	NCSA
Ed Regan	NCRGEA

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — March 18, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Catherine Moore	UNCG Student
Joanne Stevens	Nursing
Mitch Leonard	SEANC
Larry Presnell Jr.	N.C. Retired School Personnel

Senate Pensions & Retirement & Aging Committee
Wednesday, March 25, 2009, 12:00 Noon
Room 423, LOB

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

SB 389	Charlotte Housing Authority Retirement.	Senator Clodfelter
SB 390	Midland Retirement.	Senator Hartsell
SB 411	Amend Survivor's Alternate Benefit.	Senator Brunstetter

Presentations

Other Business

Adjournment

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

PENSIONS & RETIREMENT & AGING COMMITTEE REPORT
Senator Tony Foriest, Chair

Thursday, March 26, 2009

Senator FORIEST,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL

S.B. **389** Charlotte Housing Authority Retirement.

Draft Number:	85178
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

S.B. **390** Midland Retirement.

Draft Number:	55320
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

S.B. **411** Amend Survivor's Alternate Benefit.

Draft Number:	35279
Sequential Referral:	Appropriations/Base Budget
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 3

Committee Clerk Comments:

MINUTES

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE
Wednesday, March 25, 2009
12:00 p.m.
Room 423, Legislative Office Building

The Senate Pensions & Retirement & Aging Committee met at 12:00 p.m. on Wednesday, March 25, 2009, in Room 423 of the Legislative Office Building. Nine members were present. Fiscal and Research Division staff were present and the Committee Clerk was in attendance. The agenda and visitor registration sheet(s) are attached.

Chairman Foriest called the meeting to order and introduced the pages and sergeant-at-arms staff. He noted that there would be a slight change in the order of the agenda.

SB 390 – Midland Retirement (Attachment 1)

Chairman Foriest recognized Senator Hartsell to explain SB 390, an act to authorize the Town of Midland to participate in the Local Governmental Employees' Retirement System (LGERS) without providing prior service credits to its employees. Senator Purcell motioned that the accompanying PCS is accepted for consideration. Senator Stevens seconded the motion and the motion was carried. Senator Hartsell further noted that the bill shouldn't have any impact on anyone other than the Town of Midland. The Chairman asked Stanley Moore of the Fiscal Research Division (FRD) to explain to the Committee the idea of adding someone to the State Retirement System. Mr. Moore indicated that with regard to the LGERS, the normal course of business when a local unit wants to come in and participate with employees, the employer pays for prior service that any employees have rendered up until that point and time. Payments are made via lump sum or amortization over the next 24 years. In the past few years, some of the last remaining employers with private pension plans wish to participate and several have come in under these type conditions. With regard to the Town of Midland's retirement plan, the Attorney General's office has ruled that it is not of the nature that would come into the LGERS.

Senator Clodfelter motioned for a favorable report of SB 390 – unfavorable report as to original bill, favorable adoption of the PCS. Senator Garrou seconded the motion and the motion was carried.

SB 389 – Charlotte Housing Authority Retirement (Attachment 2)

The Chairman recognized Senator Clodfelter who presented SB 389, which authorizes the Housing Authority for the City of Charlotte to participate in the LGERS and further provides that if the 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. Senator Clodfelter motioned to accept the PCS which makes only technical and conforming changes. Senator Stevens seconded the motion and it was carried. Senator Clodfelter explained that SB 389 does exactly the same thing, in exactly the same way, with exactly the same fiscal effect, as SB 390.

Senator Stevens motioned for a favorable report of SB 389 – unfavorable as to original bill, favorable adoption of the PCS. Senator Purcell seconded the motion and the motion was carried.

SB 411 – Amend Survivor's Alternate Benefit (Attachment 3)

Chairman Foriest recognized Senator Brunstetter to explain SB 411, which amends the laws governing the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS) 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. Senator Garrou moves that the accompanying PCS, which makes technical and grammatical changes, be accepted. The motion was seconded and it was carried.

Senator Brunstetter talked about Sergeant Howard Plouff, a 17 and 1/2-year veteran of the Winston-Salem Police Department, who was shot and killed in the line of duty on February 23, 2007. When Sergeant Plouff's widow, Mrs. Joyce Plouff began to receive Sergeant's Plouff's death and retirement benefit, problems arose with the TSERS and the LGERS. Had Sergeant Plouff been killed after 20 years of service, Mrs. Plouff could have opted for either a lump sum payment or a monthly annuity. Because Sergeant Plouff's death occurred prior to the required 20 years of service, a monthly annuity was not an option. Senator Brunstetter indicated that this bill is a fair compromise to spouses of officers killed in the line of duty who choose an annuity payout, fair to the State of NC, and not disruptive to the Retirement System. The actuarial note states that the impact on the state and local governments are virtually negligible. The bill is retroactive to January 1, 2007. Chairman Foriest recognized Mrs. Plouff, who attended the meeting and thanked Committee members for consideration and support of SB 411. She indicated that the fiscal impact of the bill is negligible to the State yet significant to families having to go through such an overwhelming grief process, day-to-day expenses, etc. Members of the Winston-Salem Police Department also were in attendance and recognized.

There were questions and discussion regarding SB 411. With regard to having the bill retroactive to 10 years of service or earlier, Senator Brunstetter replied that going back further may produce incremental fiscal costs; however, that possibility could be further reviewed at some other time. Stanley Moore, FRD, noted that there are costs involved because of benefits being paid that otherwise wouldn't have to be paid; however, when applied to the whole Retirement System, the cost is less than 0.01% of total payroll as a result of the enactment of this bill.

Senator Garrou motioned for a favorable report of SB 411 – unfavorable report as to original bill, favorable adoption of the PCS. Senator Clodfelter seconded the motion and the motion was carried. The bill has a sequential referral to Appropriations/Base Budget.

The meeting was adjourned at 12:20 p.m.

Senator Anthony Foriest, Chair Presiding

Jacqueline F. Ray, Committee Clerk

(NOTE: Minutes were assembled for library use after the Presiding Chair left office and vacated the NCGA.)

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 390*

Short Title:	Midland Retirement.	(Local)
Sponsors:	Senator Hartsell.	
Referred to:	Pensions & Retirement & Aging.	

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, and no prior service credit will be given for employees of the town for service provided to the town prior to its participation in the Retirement System, nor shall the town 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.

Attachment 1

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 390*
PROPOSED COMMITTEE SUBSTITUTE S390-CSSH-13 [v.1]

3/24/2009 5:47:21 PM

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:	Senate Pensions & Retirement & Aging	**Date:**	March 24, 2009
Introduced by:	Sen. Hartsell	**Prepared by:**	Theresa Matula Committee Staff
Analysis of:	PCS to First Edition S390-CSSH-13		

SUMMARY: ***The Proposed Committee Substitute for 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. The PCS makes only clarifying amendments.***

[As introduced, this bill was identical to H560, as introduced by Reps. Johnson, Barnhart, which is currently in House Local Government II, if favorable, Pensions and Retirement.]

BILL ANALYSIS:

The PCS for 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.

The PCS makes only clarifying changes to the bill.

EFFECTIVE DATE:

The bill becomes effective when it becomes law.

S390-SMSH-43(CSSH-13) v2

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 390 (First Edition)

SHORT TITLE: Midland Retirement.

SPONSOR(S): Senator Hartsell

FUNDS AFFECTED: Local Funds of the Town of Midland

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: Provides that if the Town of Midland becomes a participating employer of the Local Governmental Employees' Retirement System, the town council may elect to provide no prior service credit in the system for the one employee that was employed before the date that the town becomes a participating employer in the system. If the town elects not to allow prior service, then no credit will be given for the employee of the town for service provided before the town's participation in the system and the town will not be required to pay for any prior service credits.

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 Town of Midland to participate with allowing prior service to its employee.

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: March 24, 2009

Signed Copy Located in the NCGA Principal Clerk's Offices

buckconsultants
an ACS company

March 23, 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 560 / Senate Bill 390

Dear Mr. Vanderweide:

We have received your request of March 16 regarding House Bill 560, which is equivalent to Senate Bill 390, which affects the Local Governmental Employees' Retirement System (LGERS).

Section 1 of this proposed legislation states that if the Town of Midland (the Town) becomes a member of LGERS then, upon Town council election, the Town may become a member of LGERS without providing service credit in LGERS for their employees' periods of service prior to the Town'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 Town 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.

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

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\90318RM1.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 17, 2009

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

Re: Senate Bill 390: An Act to Authorize the Town of Midland to Participate in the LGERS Without Providing Prior Service Credits

Dear Mr. Moore:

This bill authorizes the Town of Midland to become a member of the Local Governmental Employees' Retirement System (LGERS). No prior service credit will be given to employees of the Town for service prior to participation in the LGERS, and the Town is not required to pay for any prior service credits. This act is effective when it becomes law.

Since no prior service is granted, the Town will not have an initial unfunded accrued liability. Based on the low number of employees, the Town is not expected to alter the normal contribution rated in the LGERS. Thus, this bill is not expected to have a financial impact on the LGERS.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 389

Short Title:	Charlotte Housing Authority Retirement.	(Local)
Sponsors:	Senators Clodfelter; Dannelly, Goodall, Graham, and Rucho.	
Referred to:	Pensions & Retirement & Aging.	

March 4, 2009

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE HOUSING AUTHORITY OF THE CITY OF CHARLOTTE 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 Housing Authority of the City of Charlotte 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, and no prior service credit will be given for employees of the authority for service provided to the town prior to its participation in the Retirement System, nor shall the town 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.

SECTION 3. This act is effective when it becomes law.

Attachment 2

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 389
PROPOSED COMMITTEE SUBSTITUTE S389-CSSH-14 [v.1]

3/24/2009 5:51:49 PM

Short Title: Charlotte 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 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 Housing Authority of the City of Charlotte 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.

SECTION 3. This act is effective when it becomes law.

SENATE BILL 389:
Charlotte Housing Authority Retirement

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	March 24, 2009
Introduced by:	Sen. Clodfelter	**Prepared by:**	Theresa Matula Committee Staff
Analysis of:	PCS to First Edition S389-CSSH-14		

SUMMARY: ***The Proposed Committee Substitute for Senate Bill 389 authorizes the Housing Authority for the City of Charlotte to participate in the Local Governmental Employees' Retirement System and further provides that if the 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. The PCS makes only technical and conforming changes.***

BILL ANALYSIS:

The PCS for Senate Bill 389 applies only to the Housing Authority of the City of Charlotte and allows the 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.

The PCS makes only technical and conforming changes to the bill, among those is replacing references to "town" with "authority."

EFFECTIVE DATE:

The bill becomes effective when it becomes law.

S389-SMSH-42(CSSH-14) v3

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 389 (First Edition)

SHORT TITLE: Charlotte Housing Authority Retirement.

SPONSOR(S): Senator Clodfelter

FUNDS AFFECTED: Local Funds of the Charlotte Housing Authority

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 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.

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 to participate with allowing prior service to its employees.

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: March 24, 2009

Signed Copy Located in the NCGA Principal Clerk's Offices

buckconsultants
an ACS company

March 23, 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

Dear Mr. Vanderweide:

We have received your request of March 16 regarding 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 (the 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.

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

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

Very truly yours,

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

RAM:km
\NC\COR\90318RM2.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 17, 2009

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

Re: Senate Bill 389: An Act to Authorize the Charlotte Housing Authority to Participate in the LGERS Without Providing Prior Service Credits

Dear Mr. Moore:

This bill authorizes the Housing Authority of the City of Charlotte to become a member of the Local Governmental Employees' Retirement System (LGERS). No prior service credit will be given to employees of the Housing Authority for service prior to participation in the LGERS, and the Housing Authority is not required to pay for any prior service credits. This act is effective when it becomes law.

Since no prior service is granted, the Housing Authority will not have an initial unfunded accrued liability. I reviewed the census information provided for 184 employees of the Housing Authority. The demographics show a group slightly older than 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 Hartman

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

MVH/mt

SENATE BILL 411

Short Title:	Amend Survivor's Alternate Benefit.	(Public)
Sponsors:	Senators Brunstetter; Boseman, Brown, East, Garrou, Jones, Snow, Stein, Stevens, and Tillman.	
Referred to:	Pensions & Retirement & Aging.	

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 RETIREMENT SYSTEM TO PROVIDE A BENEFIT FOR SURVIVORS OF LAW ENFORCEMENT OFFICERS KILLED IN THE LINE OF DUTY PRIOR TO 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. A law enforcement officer who has obtained 15 years of service as a law enforcement officer and is 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 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. A law enforcement officer who has obtained 15 years of service as a law enforcement officer and is 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.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 411
PROPOSED COMMITTEE SUBSTITUTE S411-CSRO-9 [v.1]

3/25/2009 9:49:31 AM

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 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:	Senate Ref to Pensions & Retirement & Aging. If fav, re-ref to Appropriations/Base Budget	**Date:**	March 25, 2009
Introduced by:	Sen. Brunstetter	**Prepared by:**	Karen Cochrane-Brown Committee Counsel
Analysis of:	PCS to First Edition S411-CSRO-9		

SUMMARY: ***Senate Bill 411 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.***

The PCS makes technical and grammatical changes.

[As introduced, this bill was identical to H766, as introduced by Reps. Womble, Parmon, Mobley, Jones, which is currently in Unknown.]

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 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.

S411-SMRO-17(CSRO-9) v1

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 411 (First Edition)

SHORT TITLE: Amend Survivor's Alternate Benefit.

SPONSOR(S): Senator Brunstetter

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 23, 2009

Official Fiscal Research Division Publication

Signed Copy Located in the NCGA Principal Clerk's Offices

buckconsultants
an ACS company

March 13, 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 411

Dear Mr. Vanderweide:

We have received your letter of March 5 regarding Senate Bill 411, 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.

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

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 23, 2009

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

Re: Senate Bill 411: 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 Hartman

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

MVH/mt

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — March 25, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Charles Francis	Sen. Bingham
CHAD HOWAKER	WINSTON-SALEM POLICE / PBA
DOUGLAS FANNING	WINSTON-SALEM POLICE DEPT & PBA
Lou Ellen TAYLOR	WSPD + NCPBA
JAMES PITTS	WSPD & NCPBA
Joyce Ploff	SSPBA Widow - Sergeant Howard J. Ploff-WSPD
JOHN C. MIDGETTE	NCPBA
Ed Regan	NCRGEA
Tony Solari	DST
David Starling	DST
Daniel McCarthy	Winston-Salem Police Dept. + PBA
PAUL Meyer	NCLM

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — March 25, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
James Ramsey	
David Vandermolde	DST
Jeff Gray	FOP
Michael Williamson	DST
Bruce Thompson	Parker FOP
Amanda Lamb	WRAL-TV

Senate Pensions & Retirement & Aging Committee
Wednesday, April 1, 2009, 12:00 Noon
Rm 423, LOB

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Presentations

Patricia Gerrick, Investment Management Division, NC Department of State Treasurer – overview of the Investment Division

Other Business

Adjournment

MINUTES

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE
Wednesday, April 1, 2009
12:00 p.m.
Room 423, Legislative Office Building

The Senate Pensions & Retirement & Aging Committee met at 12:00 p.m. on Wednesday, April 1, 2009, in Room 423 of the Legislative Office Building. Five members were present. Fiscal and Research Division staff were present and the Committee Clerk was in attendance. The agenda and visitor registration sheet(s) are attached.

Chairman Foriest called the meeting to order and introduced the pages and sergeant-at-arms staff. He indicated that he felt it was important for the Committee members to be armed with good data relative to pension's issues in order to make good decisions. There were no bills for consideration on today.

Presentation – NC Department of State Treasurer

Chairman Foriest recognized Patricia Gerrick, Deputy State Treasurer/State Investment Officer, Investment Management Division (IMD), NC Department of State Treasurer, who is responsible for the oversight of the IMD. Other members of the State Treasurer's Office IMD who were in attendance included: Jeff Smith, Director of Fixed Income and Mark Roberts, Director of Global Equity and Hedge Portfolio. The IMD staff is comprised of investment professionals, some who hold MBAs and CFAs, investment administration personnel, and undergraduate interns.

Ms. Gerrick provided an overview of the Pension Fund and how the money is invested. The (IMD) manages three types of programs:

1. The Cash Management Program – responsible for managing the operating funds of the State. The objective is to maximize income consistent with the principles of preservation, capital and liquidity.
2. The Pension Fund Investment Program (Pension Fund) – responsible for managing 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, and the North Carolina National Guard Pension Fund.
3. The Ancillary Investment Programs – as authorized by the General Assembly, responsible for managing assets for the Escheats Fund, UNC and Public Hospital Funds, the Local Government Other Post-Employment Benefits Fund, and other non-Pension assets invested in the core fixed income portfolio.

Operations managed by the IMD include:

- Trust Fund Internal Assets – covers the Pension Fund Fixed Income Investments as well as the Cash Management Program;
- Investment Operations – ensures that analysis for all transactions are executed properly and that resources are available for all asset classes; and
- Trust Fund External Assets – covers public equity, private equity, real estate, and hedge strategies.

Ms. Gerrick noted that there is approximately $60 billion in Pension Fund assets and $72 billion in total assets in which the IMD has oversight. The Pensions' funded status is currently in the top 2-3% in the U.S.

There were questions from the Committee related to pension's investments, portfolio management, and operations management in which Ms. Gerrick and Mr. Smith answered. She noted that portfolios are managed based on allocation of risk. The things they advocate from the NCGA are designed to better allocate risk. Mr. Smith noted that the balance of the State's portfolio is roughly $12 billion. Ms. Gerrick indicated that her staff would provide Committee members information on the balance of the Fund after money is used in the "rainy day" fund. With regard to the Treasurer's Office having flexibility with funds, Ms. Gerrick noted that there are various safety measures in place which are designed for checks and balances. These measures include: assets classes, monthly and quarterly reporting, bi-monthly strategy meetings, portfolio review by the Treasurer, CIO, managers and analysts, statutes limitations on investment, investment policy, etc.

The Chairman thanked Ms. Gerrick and the Treasurer's staff for their presentation.

The meeting was adjourned at 12:50 p.m.

Senator Anthony Foriest, Chair Presiding

Jacqueline F. Ray, Committee Clerk

(NOTE: Minutes were assembled for library use after the Presiding Chair left office and vacated the NCGA.)

Pat Gerrick

As the Deputy State Treasurer/State Investment Officer for the North Carolina Department of State Treasurer, Ms. Gerrick is responsible for the oversight of the Investment Management Division, which serves as the investment arm of the State Treasurer's office. The Division manages three types of programs: the Pension Fund Program with assets approximating $75 Billion, the Cash Management Program approximating $13 Billion and Ancillary programs approved by the State Legislature. These funds invest the operating funds of the state as well as provide retirement, disability, scholarship and death benefits.

Prior to joining the State of North Carolina in September 2004, Ms. Gerrick served as the CIO of the Indiana Public Employees Retirement Fund. Previously, she served as the Director of International Investments for the New York State Common Retirement Fund and as the Investment/Financial Officer for both the Retirement Systems of Kansas City, Missouri and the Sprint Corporation.

Ms. Gerrick received her Undergraduate degree in Economics from Fisk University and her M.B.A. from Columbia University.

Ms. Gerrick currently serves on the Investment Advisory Board for the Virginia Retirement System and Board of Trustees/Executive Committee of Peace College in Raleigh, North Carolina. She is a Past Trustee of the SECU Family House at UNC Chapel Hill, Past Director of the Missouri Association Public Employee Retirement Systems and a Past Director/Investment Chair & Treasurer for the Women's Foundation of KCMO.

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — April 1, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mitch Leonard	SEANC
Larry Pressnell Jr.	NCRSP
Mary Foreman	NCAE
Angela Carmon	City of Winston-Salem
David Anders	PFFNC
Richard O'Brien	11
Mark Roberts	Dept. of State Treasurer
Jeff Smith	Dept. of State Treasurer
Scott Taylor	The Travelers
Becki Gray	John Locke Foundation
Michael Williamson	Dept. of State Treasurer

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — April 1, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
David Starling	Dept. of State Treasurer
Alice Garland	NCEL
[signature]	DST.
Cam Cover	BPMHL
[signature]	Ed Consultant
[signature]	NCRGEA

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

PENSIONS & RETIREMENT & AGING COMMITTEE REPORT
Senator Tony Foriest, Chair

CORRECTED REPORT

Tuesday, April 07, 2009

Senator FORIEST,
submits the following with recommendations as to passage:

FAVORABLE

S.B. **202** (CS #1 WITH UNENGROSSED AMENDMENTS) Appropriations Act of 2009.

Sequential Referral:	None
Recommended Referral:	Finance

TOTAL REPORTED: 1

Committee Clerk Comments:

MINUTES

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE
Tuesday, April 7, 2009
4:30 p.m.
Senate Chambers, Legislative Building

The Senate Pensions & Retirement & Aging Committee met at approximately 4:30 p.m. on Tuesday, April 7, 2009, in the Senate Chambers of the Legislative Building. Eleven members were present. Fiscal and Research Division staff were present and the Committee Clerk was in attendance. There was neither an agenda nor visitor registration sheet.

Chairman Foriest called the meeting to order for discussion of SB 202, Appropriations Act of 2009, with three special provisions in Sections 26.20, 26.21, and 26.22 (Attachment 1) as follows:

- Section 26.20 – Salary-Related Contributions/Employer - *Directs that, effective July 1, 2010, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2010 11 fiscal year are: (i) 9.05% – Teachers and State Employees; (ii) 14.05% – State Law Enforcement Officers; (iii) 12.16% – University Employees' Optional Retirement System; (iv) 12.16% – Community College Optional Retirement Program; (v) 19.91% – Consolidated Judicial Retirement System; and (vi) 4.80% – Legislative Retirement System. Each of the foregoing contribution rates includes 4.80% for hospital and medical benefits. The rate and for the University Employees' Optional Retirement Program includes 0.52% for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include 0.16% for the Death Benefits Plan. The rate for State Law Enforcement Officers includes 5% for Supplemental Retirement Income.*
- Section 26.21 – National Guard Pension – *Amendments made to make technical changes*
- Section 26.22 – Extended Phased Retirement Program Exemption - *Amends Section 29.28(f) of SL 2005 276, formerly amended by Section 22.21 of SL 2006 66, to specify that Subsection (e) does not apply to participants in The University of North Carolina Phased Retirement Program until the earlier of August 31, 2013 (was June 30, 2010) or 12 months after the issuance of final phased retirement regulations by the Internal Revenue Service.*

Senator Dorsett motioned for a favorable report for SB 202, Section 26.20, as written. The motioned was seconded and carried. Senator Garrou motioned for a favorable report for SB 202, Section 26.21 and Section 26.22 as written. The motion was seconded and carried.

SB 202, Committee Substitute with Appropriations/Base Budget Committee Amendments, 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, was given a favorable report and was re-referred to the Finance Committee.

The meeting was adjourned at approximately 4:40 p.m.

Senator Anthony Foriest, Chair Presiding

Jacqueline F. Ray, Committee Clerk

(NOTE: Minutes were assembled for library use after the Presiding Chair left office and vacated the NCGA.)

SECTION 26.19. Effective July 1, 2009, any permanent certified personnel employed on July 1, 2009, and paid on the teacher salary schedule with 31+ years of experience shall receive a one-time bonus equivalent to one and eight-tenths percent (1.8%). Effective July 1, 2009, any permanent personnel employed on July 1, 2009, and paid at the top of the principal and assistant principal salary schedule shall receive a one-time bonus equivalent to two percent (2%). For permanent part-time personnel, the one-time bonus shall be adjusted pro rata. Personnel defined under G.S. 115C-325(a)(5a) are not eligible to receive the bonus.

SALARY-RELATED CONTRIBUTIONS/EMPLOYER

SECTION 26.20.(a) Required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employee's salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital-medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

Notwithstanding any other provision of law, an employer who hires or has hired a retiree as an employee shall enroll the retiree in the active group and pay the cost for the hospital-medical benefits if that retiree is employed in a position that would require the employer to pay hospital-medical benefits if the individual had not been retired.

SECTION 26.20.(b) Effective July 1, 2009, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2009-2010 fiscal year are: (i) eight and sixty-five hundredths percent (8.65%) – Teachers and State Employees; (ii) thirteen and sixty-five hundredths percent (13.65%) – State Law Enforcement Officers; (iii) eleven and seventy-six hundredths percent (11.76%) – University Employees' Optional Retirement System; (iv) eleven and seventy-six hundredths percent (11.76%) – Community College Optional Retirement Program; (v) nineteen and fifty-one hundredths percent (19.51%) – Consolidated Judicial Retirement System; and (vi) four and forty hundredths percent (4.40%) – Legislative Retirement System. Each of the foregoing contribution rates includes four and forty hundredths percent (4.40%) 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.

SECTION 26.20.(c) Effective July 1, 2010, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2010-2011 fiscal year are: (i) nine and five hundredths percent (9.05%) – Teachers and State Employees; (ii) fourteen and five hundredths percent (14.05%) – State Law Enforcement Officers; (iii) twelve and sixteen hundredths percent (12.16%) – University Employees' Optional Retirement System; (iv) twelve and sixteen hundredths percent (12.16%) – Community College Optional Retirement Program; (v) nineteen and ninety-one hundredths percent (19.91%) – Consolidated Judicial Retirement System; and (vi) four and eighty hundredths percent (4.80%) – Legislative Retirement System. Each of the foregoing contribution rates includes four and eighty hundredths percent (4.80%) 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 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

REVISED

BILL NUMBER: Senate Bill 202 (Proposed Committee Substitute)

SHORT TITLE: Appropriations Act of 2009.

SPONSOR(S): Senator Garrou

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:

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

DATE: April 6, 2009

buckconsultants
an ACS company

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.

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

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 Hartman

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

MVH/mt

Senate Pensions & Retirement & Aging Committee
Wednesday, April 22, 2009, 12:00 Noon
LOB, Room 423

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

SB 468	Authorize Insurance for Former Employees.	Senator McKissick
SB 469	Jeanne Hopkins Lucas Act.	Senator McKissick
SB 658	Modify Supplemental Retirement Board.	Senator Atwater
SB 863	Purchase Service/Certain Employment.	Senator Berger

Presentations

Other Business

Adjournment

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

PENSIONS & RETIREMENT & AGING COMMITTEE REPORT
Senator Tony Foriest, Chair

Wednesday, April 22, 2009

Senator FORIEST,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL

S.B. **863** Purchase Service/Certain Employment.

Draft Number:	35290
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 1

Committee Clerk Comments:

MINUTES

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE
Wednesday, April 22, 2009
12:00 p.m.
Room 423, Legislative Office Building

The Senate Pensions & Retirement & Aging Committee met at approximately 12:00 p.m. on Wednesday, April 22, 2009, in Room 423 of the Legislative Office Building. Nine members were present. Fiscal and Research Division staff were present and the Committee Clerk was in attendance. The agenda and visitor registration sheet(s) are attached.

Chairman Foriest called the meeting to order and introduced the pages and sergeant-at-arms staff.

SB 468 – Authorize Insurance for Former Employees (Attachment 1)

Chairman Foriest recognized Senator McKissick to explain SB 468, an act to authorize counties to provide health insurance benefits to former employees who are not receiving retirement benefits. Senator Atwater motioned to waive the rule of sending out the PCS on the day of the Committee meeting. The motion was carried. Senator Purcell motioned that the PCS is accepted for consideration. The motion was carried. Senator McKissick explained that SB 468 will allow county commissioners, at their discretion, to offer health insurance benefits to former officers and employees. He noted that Mr. Chuck Kitchen, Durham County Attorney, was in attendance today and would be happy to answer questions from Committee members.

Chairman Foriest asked the staff to address the issue of how state retirement benefits would be affected if this bill were passed. Theresa Matula of the Research Division addressed the Committee noting that she was unaware of any negative effects this bill would have on state retirement benefits. She explained that the language in Line 9, of the PCS subsection (a) has a strike through referring to the summary in G.S. 153A-93(a), which states that it 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. Stanley Moore of the Fiscal Research Division indicated if a future request is made for participation in the State Health Plan, there could be a problem with having former employees and former officers covered where the State system would not allow. He noted that by striking out the selected language, the county can offer the services without discrimination to all current or former employees. With regard to the bill providing benefits to former officers and employees, Attorney Kitchen noted it would be unconstitutional to provide benefits to employees who have left or are in the process of leaving. There was further discussion as to making the bill applicable only to Durham County, whether or not constitutional problems and/or legal issues would arise, and possibly amending the bill. Senator Clodfelter indicated that he was interested in obtaining information as to what counties enroll their employees in the State Health Plan. Senator Stevens noted that it would be interesting to know statistics on other counties who provide insurance for officials and employees, e.g. former county commissioners. Staff indicated they would get that information to Committee members. Chairman Foriest suggested displacing SB 468 until a later date in order to obtain additional information. Senator McKissick concurred.

SB 469 – Jeanne Hopkins Lucas Act (Attachment 2)

Chairman Foriest recognized Senator McKissick to explain SB 469, an act to provide for the purchase of service credit for periods of service as a law enforcement officer with the City of Durham County in memory of Senator Jeanne Hopkins Lucas. Senator Atwater motioned to accept an amendment to SB 469 which deletes "10" and substitutes with "25" on page 1 line 10 and again on line 15. Chairman Foriest indicated that an actuarial note was needed on this amendment that the staff does not have. Stanley Moore noted that the law requires that an actuarial note is needed on every bill or amendment that changes a retirement benefit. He explained that the bill currently enacts GS 128-26(w), which provides that the City of Durham and Durham County law enforcement officers, who have received either intermediate or advanced law enforcement certification, and who have completed 10 years of membership service in the Local Governmental Employees' Retirement System (LGERS) are eligible to purchase up to two or four years, respectively, of creditable service as a law enforcement officer. The purchase will be the full actuarial cost method that requires the member to pay the full liability that the service purchase puts upon the System.

Chairman Foriest suggested that the bill be displaced until the revised actuarial note is prepared. Senator McKissick concurred. Senator Clodfelter indicated when SB 469 is brought back before the Committee, it would be good to hear the position of the State Treasurer's office as they oversee the State Retirement System. Senator Stevens asked if the staff could provide Committee members information on the constitutional issue of having a local retirement bill. Staff concurred and will follow up.

SB 863 – Purchase Service/Certain Employment (Attachment 3)

Chairman Foriest recognized Senator Berger 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. Senator Clodfelter motioned to waive the rule of sending out the PCS on the day of the Committee meeting. The motion was carried. Senator Garrou motioned that the PCS is accepted for consideration. The motion was carried. Senator Berger explained that SB 863 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 clarifies that the appointee must be a retired state or local governmental employee. Senator Berger noted that the bill would not violate the constitution as it is a statewide bill, nor would it have any adverse impact to the State Retirement System. He also noted that the Treasurer's Office would be in support of this bill.

There were questions and answers relative to the bill applying to economic development organization employees and any additional actuarial costs on 5 vs. 10 years of creditable service. Stanley Moore noted that there would be no additional cost to the Retirement System. Senator Bingham motioned for a favorable report of SB 863 – unfavorable as to original bill, favorable adoption of the PCS. The motion was carried.

SB 658 – Modify Supplemental Retirement Board (Attachment 4)

Chairman Foriest recognized Senator Atwater to explain SB 658, an act to modify the membership of the supplemental retirement board of trustees. Senator Atwater motioned for adoption of the amendment. The motion was carried. Senator Atwater explained that SB 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. Karen Cochrane-Brown of the Research Division explained that the amendment clarifies that the appointee must be a retired state employee as opposed to a retired governmental employee.

There was discussion on limiting the appointee as a state employee. Senator Atwater indicated that the majority of the two-plan participants are state employees – active and retired. Stanley Moore explained that there was different participation for local and state employees. The law mandated that counties and cities fund 5% of the law enforcement officers' salary into the 401K. Thus, many cities and counties contend that if monies were being placed in law enforcement officers' accounts, monies should be placed in everyone's retirement account. Michael Williamson, Director of the Retirement Division, Office of the State Treasurer, addressed the Committee indicating that he didn't have exact figures on the percentage split between local and state participants. He noted that, in addition to the law enforcement contribution, there are over 200 local units that either match or contribute funds to the 401K plan on behalf of their employees. Senator Stevens asked if the Committee members could be provided information to clarify whether the plan pertained to local government, mixed or two-thirds percentages, etc. Staff concurred and will follow up.

Chairman Foriest suggested displacing SB 658 for a future meeting in order to obtain further information. Senator Atwater concurred.

The meeting was adjourned at 11:55 a.m.

Senator Anthony Foriest, Chair Presiding

Jacqueline F. Ray, Committee Clerk

(NOTE: Minutes were assembled for library use after the Presiding Chair left office and vacated the NCGA.)

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 468

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.~~county. 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. This act is effective when it becomes law.

Attachment 1

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 468
PROPOSED COMMITTEE SUBSTITUTE S468-CSSH-31 [v.1]

4/21/2009 5:42:17 PM

Short Title: Health Insurance-Former Officers & Employees. (Public)

Sponsors:

Referred to:

March 9, 2009

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE COUNTIES TO PROVIDE HEALTH INSURANCE BENEFITS TO FORMER OFFICERS AND 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.~~county. 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. This act is effective when it becomes law.

SENATE BILL 468:
Authorize Insurance for Former Employees

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	April 21, 2009
Introduced by:	Sen. McKissick	**Prepared by:**	Theresa Matula
Analysis of:	PCS to First Edition S468-CSSH-31		Committee Staff

SUMMARY: Senate Bill 468 authorizes counties to provide health insurance for former officers and employees of the county that are not receiving retirement benefits.

The Proposed Committee Substitute amends the short and long titles conforming the titles to the content of the bill and reflecting the authorization to cover both former officers and employees,

CURRENT LAW:

G.S. 153A-52(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 allows, 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 entirely 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.

The Proposed Committee Substitute amends the short title and the long title of the bill to reflect that the health insurance may be provided to both former officers and former employees.

EFFECTIVE DATE:

Senate Bill 468 would become effective when it becomes law.

S468-SMSH-75(CSSH-31) v1

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 469

Short Title:	Jeanne Hopkins Lucas Act.	(Public)
Sponsors:	Senators McKissick; Atwater, Bingham, Boseman, Clary, Clodfelter, Davis, Dorsett, Forrester, Graham, Hartsell, Purcell, Shaw, and Stevens.	
Referred to:	Pensions & Retirement & Aging.	

March 9, 2009

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR THE PURCHASE OF SERVICE CREDIT FOR PERIODS OF SERVICE AS A LAW ENFORCEMENT OFFICER WITH THE CITY OF DURHAM OR DURHAM COUNTY, IN MEMORY OF SENATOR JEANNE HOPKINS LUCAS.

The General Assembly of North Carolina enacts:

SECTION 1. This act may be cited as the Jeanne Hopkins Lucas Act.

SECTION 2. G.S. 128-26 is amended by adding a new subsection to read:

"(w) Notwithstanding any other provisions of this Chapter, a member who is a law enforcement officer employed by the City of Durham or Durham County, and who has received intermediate law enforcement certification, may, upon the completion of 10 years of membership service, purchase up to two years of creditable service as a law enforcement officer as provided in this subsection.

Notwithstanding any other provisions of this Chapter, a member who is a law enforcement officer employed by the City of Durham or Durham County, and who has received advanced law enforcement certification, may, upon the completion of 10 years of membership service, purchase up to four years of creditable service as a law enforcement officer as provided in this subsection.

Members who qualify under this subsection shall purchase the service by making a lump-sum amount payable to the Annuity Savings Fund 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 system's liabilities, and shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on an unreduced retirement allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set 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 3. This act is effective when it becomes law.

SENATE BILL 469:
Jeanne Hopkins Lucas Act

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	April 21, 2009
Introduced by:	Sen. McKissick	**Prepared by:**	Theresa Matula Committee Staff
Analysis of:	First Edition		

SUMMARY: Senate Bill 469 allows a law enforcement officer employed with the City of Durham or Durham County, with ten years of membership service in the Local Governmental Employees' Retirement System (LGERS), and who has received intermediate law enforcement certification to purchase up to two years of creditable service, and a law enforcement officer who has received advanced law enforcement certification may purchase up to four years of creditable service.

BILL ANALYSIS:

Section 1 of Senate Bill 469 provides that the act may be cited as the Jeanne Hopkins Lucas Act.

Section 2 of the bill amends G.S. 128-26 regarding the allowance for service in the Local Governmental Employees' Retirement System.

The bill adds a subsection to allow the following:

- Upon completion of 10 years of membership service, a law enforcement officer employed with the City of Durham or Durham County, and who has received *intermediate* law enforcement certification, may purchase up to *two* years of creditable service as a law enforcement officer.
- Upon completion of 10 years of membership service, a law enforcement officer employed with the City of Durham or Durham County, and who has received *advanced* law enforcement certification, may purchase up to *four* years of creditable service as a law enforcement officer.

Members who qualify and wish to purchase the creditable service must make a lump-sum payment to the Annuity Savings Fund equal to the full liability of the service credits calculated on the basis of the assumptions used for the actuarial valuation of the system's liabilities. It also must take into account the retirement allowance arising from the additional service credit beginning at the earliest age the member could retire on an unreduced retirement allowance, as determined by the Board of Trustees, upon the advice of the consulting actuary. Additionally, the member must pay an administrative fee set by the Board of Trustees.

The bill further provides that for purposes of this provision, G.S. 126-28(w), "full cost," "full liability," and "full actuarial cost" include assumed annual postretirement allowance increases, determined by the Board, from the earliest age a member could retire on an unreduced service allowance.

EFFECTIVE DATE:

Senate Bill 469 would become effective when it becomes law.

S469-SMSH-77(e1) v1

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 469 (First Edition)

SHORT TITLE: Jeanne Hopkins Lucas Act.

SPONSOR(S): Senator McKissick

FUNDS AFFECTED: Local Funds

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

EFFECTIVE DATE: When it becomes law

BILL SUMMARY: Enacts GS 128-26 (w), which provides that City of Durham and Durham County law enforcement officers, who have received either intermediate or advanced law enforcement certification, and who have completed 10 years of membership service in the Local Governmental Employees' Retirement System are eligible to purchase up to two or four years, respectively, of creditable service as a law enforcement officer. The purchase will be the full actuarial cost method that requires the member to pay the full liability that the service purchase puts upon the System.

ESTIMATED IMPACT ON LOCAL GOVERNMENTS: Both the Retirement System Actuary, Buck Consultants, and the General Assembly Actuary, Hartman & Associates, agree 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 Durham County or the City of Durham in the form of Special Separation Allowance as a result of the law enforcement officers who purchase their service being eligible to retire two or four years before the present law will allow.

Retirement System Actuary: Buck Consultants based their cost assuming that all 634 law enforcement officers purchased four years of service when eligible:

	2009-10	2010-11	2011-12	2012-13	2013-14
Separation Allow.	$120,500	$414,000	$696,000	$864,000	$974,000

General Assembly's Actuary: Hartman & Associates based their cost assuming that all 634 law enforcement officers purchased four years of service when eligible:

	2009-10	2010-11	2011-12	2012-13	2013-14
Separation Allow.	$70,924	$207,283	$252,134	$269,180	$331,210

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.

The actuaries used employee data supplied to them by the Retirement Systems Division. The actuaries used the actuarial assumptions used to prepare the December 31, 2007 actuarial valuation of the Local Governmental Employees' Retirement System in estimating the cost. Buck's estimate is based on 634 law enforcement officers with an average age of 39 and average service of 11 years. Hartman's estimate is based on 634 records.

SOURCES OF DATA: Buck Consultants
Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: Passage of this bill will be the first time in the history of the Local Governmental Employees' Retirement System that a member will be eligible to purchase service that the member did not work. The member was an employee and earned membership service while in the process of receiving advanced law enforcement certification. Allowing a member to purchase service that they did not work will then reduce the years of service the member actually has to work in order to retire on an unreduced retirement benefit.

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 14, 2009

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

April 14, 2009

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

Re: Senate Bill 469: An Act to Provide for the Purchase of Service Credit as a Law Enforcement Officer with Durham

Dear Mr. Moore:

This bill adds a new section to G.S. 128-26 to provide that certain members of the Local Governmental Employees' Retirement System (LGERS) may purchase creditable service. To be eligible, the member must be a law enforcement officer employed by the City of Durham or Durham County and have completed 10 years of membership service. A member who has received intermediate law enforcement certification may purchase up to two years of service, and a member who has received advanced law enforcement certification may purchase up to four years of service. This act is effective when it becomes law.

To purchase the service, a member must make a lump sum payment equal to the full liability of the service credits purchased. The full liability would be calculated on the additional service credits commencing at the earliest retirement age at which the member could retire with an unreduced retirement allowance and would include assumed post-retirement allowance increases.

Since this bill requires the member to pay the full actuarial cost, this bill is not expected to produce a cost to the LGERS.

The purchase of two to four years of service credit would allow the member to retire at an earlier age than under current law, and this would increase the special separation allowance payable to law enforcement officers. We do not have data to show the number of officers eligible to purchase either two or four years of service. I have estimated the maximum additional allowances payable if all officers in Durham County or Durham city purchased either two or four years of service. The actual cost would range from zero if no officers purchased service to the maximums shown in the table below.

Maximum Additional Separation Allowances Durham Law Enforcement Officers		
Calendar Year	Purchase 2 Years	Purchase 4 Years
2010	$ 141,847	$ 230,485
2011	272,719	579,803
2012	231,548	618,645
2013	306,812	742,051
2014	355,608	844,543
2015	422,602	828,618
2016	445,405	810,311
2017	383,560	744,976
2018	364,089	719,542
2019	345,718	701,432

These estimates are based on the LGERS actuarial valuation prepared as of December 31, 2007 and demographic data for law enforcement officers as of December 31, 2007. This data included information on 634 Durham law enforcement officers.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

buckconsultants
an ACS company

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: Senate Bill 469

Dear Mr. Vanderweide:

We have received your request of March 20 regarding Senate Bill 469, which affects members covered by the Local Governmental Employees' Retirement System (LGERS).

This proposed legislation amends G.S. 128-26 by adding a new subsection G.S. 128-26(w) that appears to allow a member who is a law enforcement officer employed by the City of Durham or Durham County to purchase, upon completion of 10 years of membership service, up to two years of creditable service if the member has received intermediate law enforcement certification and up to four years of creditable service if the member has received advanced law enforcement certification. 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. This proposed legislation would become effective when it becomes law.

The data for our December 31, 2007 valuation of LGERS included 634 law enforcement officers of the City of Durham or Durham County who were active employees and had an average age of 39 years and an average service of 11 years.

LGERS Costs

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 LGERS.

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

Special Separation Allowance

Based on the assumptions for the December 31, 2007 valuation of LGERS and assuming that all 634 law enforcement officers of the City of Durham or Durham County included in our December 31, 2007, valuation purchase four years of creditable service when eligible, a projection of the additional special separation allowance payable under G.S. 143-166.41 due to this proposed legislation is attached.

Our cost estimate for this proposed change is based on the December 31, 2007, valuation 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 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, F.S.A., E.A., M.A.A.A.
Principal, Consulting Actuary

RAM:km
\NC\COR\90406RM1.DOC

Enclosure

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 Senate Bill 469

Year	Additional Special Separation Allowance
2009	$ 241,000
2010	587,000
2011	805,000
2012	923,000
2013	1,025,000
2014	1,148,000
2015	1,133,000
2016	1,071,000
2017	978,000
2018	902,000
2019	919,000

April 8, 2009

buckconsultants
an ACS company

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 863*

Short Title:	Purchase Service/Certain Employment.	(Public)
Sponsors:	Senator Berger of Rockingham.	
Referred to:	Pensions & Retirement & Aging.	

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 10 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 Systems 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.

Attachment 3

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 863*
PROPOSED COMMITTEE SUBSTITUTE S863-PCS35290-LL-15

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.

SENATE BILL 863:
Purchase Service/Certain Employment

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	April 21, 2009
Introduced by:	Sen. Berger of Rockingham	**Prepared by:**	Karen Cochrane-Brown Committee Counsel
Analysis of:	First Edition		

SUMMARY: ***Senate Bill 863 would allow a member of the Local Governmental Employees' Retirement System to purchase up to 10 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 ten 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 becomes 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-37(e1) v1

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 863 (First Edition)

SHORT TITLE: Purchase Service/Certain Employment.

SPONSOR(S): Senator Berger of Rockingham

FUNDS AFFECTED: Funds of individual members of the Local Governmental Employees' Retirement System who wish to make a purchase of service.

SYSTEM OR PROGRAM AFFECTED: Local Governmental 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 10 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 member must obtain written verification of the service from the nonprofit corporation.

ESTIMATED IMPACT ON LOCAL GOVERNMENTS: 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.

SOURCES OF DATA: Buck Consultants
Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: The Retirement System Actuary, Buck Consultants, in their letter of April 3, 2009, states "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."

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 5, 2009

Official
Fiscal Research Division
Publication

Signed Copy Located in the NCGA Principal Clerk's Offices

buckconsultants
an ACS company

April 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: House Bill 725 / Senate Bill 863

Dear Mr. Vanderweide:

We have received your request of March 20 regarding House Bill 725, which is equivalent to Senate Bill 863 and which affects members covered by the Local Governmental Employees' Retirement System (LGERS).

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 10 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.

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 LGERS.

As you know, IRC Section 415 applies to benefits payable from and contributions made to qualified plans like LGERS. IRC Section 415(n) allows the purchase on 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 IRC Section 415(n), to five years. This proposed legislation would allow the purchase of up to 10 years on non-employer service. If a member purchases more than five years of nonqualified service and the cost of this purchase violates the IRC Section 415(c)

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

limit on contributions, the purchase would violate IRS Section 415 and thus could cause LGERS to become disqualified.

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\90325RM1.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

March 30, 2009

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

Re: Senate Bill 863: An Act to Provide for Purchase of Creditable Service by Members of the LGERS for Certain Periods of Nonqualified Employment

Dear Mr. Moore:

This bill amends G.S. 128-26 by adding new section 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 10 years of service for nonqualified employment with an economic development organization that receives at least 50% of its funding from a local government. 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 would be 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 would include assumed post-retirement allowance increases. The calculation of the liability would use the assumptions from the actuarial valuation.

This bill is not expected to produce a cost to the LGERS.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 658
PROPOSED COMMITTEE SUBSTITUTE S658-PCS75261-RO-45

Short Title: Modify Supplemental Retirement Board. (Public)

Sponsors:

Referred to:

March 19, 2009

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE MEMBERSHIP OF THE SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-96 reads as rewritten:

"**§ 135-96. Supplemental Retirement Board of Trustees.**

(a) The Supplemental Retirement Board of Trustees is established to administer the Supplemental Retirement Income Plan established under the provisions of this Article and the North Carolina Public Employee Deferred Compensation Plan established under G.S. 143B-426.24.

(b) The Board consists of nine voting members, as follows:

(1) Six persons appointed by the Governor who have experience in finance and investments, one of whom shall be a State ~~employee;~~ employee, and one of whom shall be a retired State or local governmental employee;

(2) One person appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives;

(3) One person appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate; and

(4) The State Treasurer, ex officio, who shall be the Chair.

(c) The initial appointments by the General Assembly and two of the Governor's initial appointments shall be for one-year terms. The remainder of the initial appointments shall be for two-year terms. At the expiration of these initial terms, appointments shall be for two years and shall be made by the appointing authorities designated in subsection (b) of this section. A member shall continue to serve until the member's successor is duly appointed, but a holdover under this provision does not affect the expiration date of the succeeding term. No member of the Board may serve more than three consecutive two-year terms.

(d) Other than ex officio members, members appointed by the Governor shall serve at the Governor's pleasure. An ex officio member may designate in writing, filed with the Board, any employee of the member's department to act at any meeting of the Board from which the member is absent, to the same extent that the member could act if present in person at such meeting."

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

SENATE BILL 658:
Modify Supplemental Retirement Board

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	May 12, 2009
Introduced by:	Sen. Atwater	**Prepared by:**	Karen Cochrane-Brown Committee Counsel
Analysis of:	PCS to First Edition S658-CSRO-45		

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 clarifies that the appointee must be a retired state or local governmental employee.

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.

EFFECTIVE DATE: This act becomes effective July 1, 2009.

S658-SMRO-96(CSRO-45) v1

SENATE BILL 658:
Modify Supplemental Retirement Board

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	April 21, 2009
Introduced by:	Sen. Atwater	**Prepared by:**	Karen Cochrane-Brown
Analysis of:	First Edition		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.***

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 governmental employee.

EFFECTIVE DATE: This act becomes effective July 1, 2009.

S658-SMRO-36(e1) v1

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — April 22, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Larry Pressnell Jr.	NC Retired School Personnel
Pam Deardorff	" " "
Graham Perrier	Rockingham County Partnership
Ed Regan	NCRGEA
Anthony Solazi	DST
Suzanne Beasley Malysz	SEANC
Andy Miller	NC SHERIFF POLICE ALLIANCE
Cameron Miller	618 Sherron Rd, Durham, NC 27704
Ricky Pidgett	NC Sheriff Police Alliance.

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — April 22, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Glenn Reid	IOG
Michael Williamson	State Treasurer
David Starling	State Treasurer
JOHN MIDGETTE	NCPBA
David Vanderweide	Dept of State Treasurer
SHAWN T. SMITH	NC PBA
DANIEL BAUM	K&L GATES
Patrick Bryan	NMRS
A. C. Pelletier	Durham County
Patrice Roesler	NCACC

Senate Pensions & Retirement & Aging Committee
Wednesday, May 6, 2009, 12:00 Noon
LOB, Rm 423

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

SB 645	Retirement Technical Corrections.	Senator Foriest
SB 133	Registers of Deeds' Pension.	Senator Rand
SB 624	25-Year Law Enforcement Retirement.	Senator Boseman
SB 468	Authorize Insurance for Former Employees.	Senator McKissick
SB 469	Jeanne Hopkins Lucas Act.	Senator McKissick
SB 557	Remove Restriction/LEO Disability Benefits.	Senator Foriest
SB 986	Clarify Local Special Separation Allowance.	Senator McKissick

Presentations

Other Business

Adjournment

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

PENSIONS & RETIREMENT & AGING COMMITTEE REPORT
Senator Tony Foriest, Chair

CORRECTED REPORT

Thursday, May 07, 2009

Senator FORIEST,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL

S.B. **133** Registers of Deeds' Pension.

Draft Number:	55351
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

S.B. **645** Retirement Technical Corrections.

Draft Number:	85203
Sequential Referral:	Appropriations/Base Budget
Recommended Referral:	None
Long Title Amended:	No

S.B. **986** Clarify Local Special Separation Allowance.

Draft Number:	85212
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 3

Committee Clerk Comments:

MINUTES

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE
Wednesday, May 6, 2009
12:00 p.m.
Room 423, Legislative Office Building

The Senate Pensions & Retirement & Aging Committee met at 12:00 p.m. on Wednesday, May 6, 2009, in Room 423 of the Legislative Office Building. Nine members were present. Fiscal and Research Division staff were present and the Committee Clerk was in attendance. The agenda and visitor registration sheet(s) are attached.

Chairman Foriest called the meeting to order and introduced the pages and sergeant-at-arms staff. The agenda order was slightly changed.

SB 133 – Registers of Deeds' Pensions (Attachment 1)

Chairman Foriest introduced Senator Rand to explain SB 133, an act to adjust the limit on the monthly pension amount payable from the registers of deeds' supplemental pension fund. Senator Stevens motioned to accept the accompanying PCS for consideration. The motion was carried. Senator Rand explained that SB 133 changes the limit on the Registers of Deeds' Supplemental Pension Fund monthly pension amount. He noted that originally there was a mistake made in the description of benefits. The PCS adds language to clarify that the act does not apply to any retiree or currently active member of the Register of Deeds Pension Fund. The change in the bill will not apply to those retirees or active members who are serving as of the effective date of the bill.

After a brief question and answer session, Senator Garrou motioned for a favorable report - unfavorable as to original bill, favorable adoption of the PCS. The motion was carried.

SB 645 – Retirement Technical Corrections (Attachment 2)

Chairman Foriest relinquished chairmanship to Senator Stevens for discussion on SB 645 as he is the primary sponsor of the bill. Senator Stevens recognized that Senator Foriest moves that the PCS is accepted for consideration. The motion is carried. Senator Stevens recognized Senator Foriest to explain SB 645, 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. Senator Foriest noted that the bill amends, removes, corrects, makes changes, and adds language to various sections of the bill as noted on the bill summary prepared by staff. The PCS deletes a section of the bill related to the Disability Income Plan.

After a brief question and answer session, Senator Bingham motioned for a favorable report – unfavorable to original bill, favorable adoption of the PCS. The motion was carried. The bill has a sequential referral to Appropriations/Base Budget.

SB 468 – Allow Health Insurance-Former Durham Officer/Employee (Attachment 3)

Chairman Foriest resumed chairmanship and introduced Senator McKissick to explain SB 468, an act to authorize certain counties to provide health insurance benefits to former officers and employees

who are not receiving retirement benefits. Senator East motioned to accept the accompanying PCS for consideration. The motion was carried. Senator McKissick explained that SB 468, which was previously brought before the Committee, provides health or life insurance for all or any class of formers and employees of the county who are receiving benefits under G.S.153A-93(a). The proposed PCS authorizes Buncombe, Durham, Granville, and Martin Counties, and an additional request for Hoke County (an amendment could be provided to add Hoke County), to provide health insurance for former officers and employees of the county that are not receiving retirement benefits. The bill has also been changed from a public bill to a local bill.

Chairman Foriest indicated that there were several amendments that would add additional counties (Senator East wants to rewrite pg. 1, line 14 to include Alleghany, Buncombe, Durham, Johnston, Randolph, Martin and Vance Counties). Theresa Matula of the Research Staff noted that some amendments were done separately to include other counties – Vance, Johnston, Alleghany, and Randolph Counties – was one in particular. There was discussion on covering all counties vs. those counties listed. Senator Clodfelter suggested the Research Staff follow up with the NC Association of County Commissioners (NCACC) as it relates to the issue of those counties, currently not included in the bill, which may be illegally providing health insurance. There were also questions and answers regarding the financial impact and other aspects of the bill which may pertain to dependents, amount of time worked, etc. Senator Garrou indicated that specific requirements should be put in place before SB 468 goes out of the Committee. Senator Stevens asked about exempting counties who are currently under the State Health Plan and changing language about all or any class of former employees.

Jim Blackburn, lobbyist for the NCACC, addressed the Committee noting that there are a number of counties that have been providing this benefit for a long time. He indicated it would not be possible to pick and choose which officers/employees to be covered, that coverage would be done equitably. The NCACC plans to work with the Committee and would appreciate support of SB 468. Senator McKissick commented that he had a copy of the NC Attorney General's letter of April 28, 2009, which is designed to help non-compliant counties become compliant. Mr. Chuck Kitchen, Durham County Attorney, addressed the Committee indicating that it would be unconstitutional to pick up former/other employees. An employee must be currently employed at the time an offer is made in order to receive the benefit.

Senator Atwater suggested an amendment to exempt the option of any county currently on the State Health Plan in order to allow the bill to move forward. Senator McKissick noted his acceptance of the amendment and willingness to work with anyone wishing to resolve any pending issues. Chairman Foriest indicated that per the Research Staff, none of the counties included in the bill/amendments are a part of the State Health Plan.

Chairman Foriest recommended referral of SB 468 to a subcommittee in order to ensure that everything is in proper order with the bill especially as it relates to uncertainly with the State budget. Senator McKissick concurred noting that the bill does not have any implications with regard to the State budget.

SB 624 – 25-Year Law Enforcement Retirement (Attachment 4)

Chairman Foriest indicated that Senator Boseman was the sponsor of SB 624, an act to allow law enforcement officers who are members of the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System to retire with unreduced benefits after

completing 25 years of service and to amend the special separation allowance benefit for law enforcement officers, and that the bill would not be voted on today. He noted, again that with the uncertainty pertaining to the State budget, the Committee needed to be sure of all financial constraints related to bills coming before the Committee. Senator Boseman explained that SB 624 has been around since 2003 with bi-partisan support. She noted that the opposition to the bill has always centered on financial aspects; however, the demands of law enforcement are incredible. Senator Boseman referred to other aspects of law enforcement work including life expectancy, occupational health risks, duty and sacrifice, retirement packages, lack of applicants/manpower, low wages, etc. The Chairman recognized other visitors in attendance – including Mr. Midgett and officers from the Police Benevolent Association, Mr. Jeff Gray from the Paternal Order of Police, Mr. Eddie Caldwell from the Sheriff's Association, and representatives from the NC Police Alliance and NC Police Chiefs Association– who were in support of SB 624. Mr. Paul Moyer from the NC League of Municipalities was recognized in opposition of SB 624.

SB 986 – Clarify Local Special Separation Allowance (Attachment 5)

Chairman Foriest recognized Senator McKissick to explain SB 986, an act to clarify the law regarding the special separation allowance provided to law enforcement officers under the Local Governmental Retirement System. Senator Purcell motioned to accept the accompanying PCS for consideration. The motion was carried. Senator McKissick explained that SB 986 amends the law relating to the special separation allowance paid to retired local law enforcement officers. The PCS deletes Section 2 of the bill which directed 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. Stanley Moore of the Fiscal Research Division addressed the Committee noted that the law has been unclear over the past 20+ years how/what retirees of the local government units could and could not do. This bill clarifies the law, and does not create any additional benefits.

After a brief question and answer session, Senator Atwater motioned for a favorable report – unfavorable to original bill and favorable adoption of the PCS. The motion was carried.

SB 557- Remove Restriction/LEO Disability Benefits (Attachment 6)

Chairman Foriest noted that SB 557, an act to remove the requirement that law enforcement officers have one year of creditable service in order to qualify for disability retirement benefits under the Local Governmental Employees' Retirement System for injuries incurred in the line of duty, would not be voted on today due to reasons involving the uncertainty of the State budget. Comments were received from visiting law enforcement representatives, including Mr. Eddie Caldwell, in support of SB 557.

There was no discussion on SB 469 – Jeanne Hopkins Lucas Act.

The meeting was adjourned at 12:52 p.m.

Senator Anthony Foriest, Chair Presiding

Jacqueline F. Ray, Committee Clerk

(NOTE: Minutes were assembled for library use after the Presiding Chair left office and vacated the NCGA.)

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 133

Short Title:	Registers of Deeds' Pension.	(Public)
Sponsors:	Senator Rand.	
Referred to:	Pensions, Retirement & Aging.	

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 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 member who retired between July 1, 2007, and July 1, 2009.

SECTION 3. This act becomes effective July 1, 2009, and applies to pension amounts payable on or after that date.

Attachment 1

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 133
PROPOSED COMMITTEE SUBSTITUTE S133-PCS55351-LL-25

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

Committee:	Senate Pensions, Retirement & Aging	**Date:**	May 5, 2009
Introduced by:	Sen. Rand	**Prepared by:**	Karen Cochrane-Brown Committee Counsel
Analysis of:	PCS to First Edition S133-CSLL-25		

SUMMARY: ***Senate Bill 133 changes the limit on the Registers of Deeds' Supplemental Pension Fund monthly pension amount.***

The PCS adds language to clarify that 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 as 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-68(CSLL-25) v1

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 133 (Second Edition)

SHORT TITLE: Registers of Deeds' Pension.

SPONSOR(S): Senator Rand

FUNDS AFFECTED: Fees collected by each register of deeds and submitted to the Department of Treasurer.

SYSTEM OR PROGRAM AFFECTED: Register of Deeds' Supplemental Pension Fund.

EFFECTIVE DATE: When it become law

BILL SUMMARY: Amends the Register of Deeds Supplemental Pension Fund by adding in the amount received from a retirement allowance under the maximum allowance from the Local Governmental Employees' Retirement System or an equivalent locally sponsored plan to determine the limit on a monthly pension amount awarded under this subsection. The change in the bill will not apply to those retirees or active members who are serving as of the effective date of the bill.

ESTIMATED IMPACT ON COUNTIES: The Fund's actuary, Buck Consultants, and the General Assembly's actuary, Hartman & Associate, estimates the required contribution rate will remain at zero and there is no unfunded actuarial liability as a result of this bill.

ASSUMPTIONS AND METHODOLOGY: Register of Deeds Supplemental 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 December 31, 2007 actuarial valuation of the fund. The data included 100 active register of deeds and 78 retired members in receipt of annual pensions totaling $1,357,220. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) the 1994 Group Annuity Mortality Tables for deaths after retirement set forward three years for males and set forward two years for females. The actuarial cost method used was the entry age normal cost method. The Fund has assets of $35.4 million as of December 31, 2007 and had a funded ratio of 199%. Detailed information concerning these assumptions and methods are 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 6, 2009

Signed Copy Located in the NCGA Principal Clerk's Offices

SENATE BILL 645*

Short Title:	Retirement Technical Corrections.	(Public)
Sponsors:	Senators Foriest; Apodaca, Brunstetter, Davis, Forrester, Tillman, and Vaughan.	
Referred to:	Pensions & Retirement & Aging.	

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

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 1.(b) G.S. 135-74(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 1.(c) G.S. 120-4.31(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 that 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 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 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.

A member may elect to terminate membership in the fund at anytime and request the refund of payments previously made to the fund. However, a member's delinquency in making the monthly payments required by this section does not result in the termination of membership without such an election by the member."

SECTION 2.(e) G.S. 58-86-40 reads as rewritten:

"**§ 58-86-40. Rescue squad worker's application for membership in funds; monthly payments by members; payments credited to separate accounts of members; termination of membership.**

Those rescue squad workers eligible pursuant to G.S. 58-86-30 may apply to the board for membership. Each eligible rescue squad worker upon becoming a member 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.

A member may elect to terminate membership in the fund at anytime and request the refund of payments previously made to the fund. However, a member's delinquency in making the monthly payments required by this section does not result in the termination of membership without such an election by the member."

SECTION 2.(f) G.S. 58-86-45(b) reads as rewritten:

"(b) An eligible fireman or rescue squad worker who is not yet 35 years old ~~and has not previously elected to become a member~~ may apply to the board of trustees for membership in the fund at any time. Upon becoming a member, the worker ~~must~~ may make a lump sum payment of ten dollars ($10.00) per month retroactively to the time the worker first became eligible to become a member, plus interest at an annual rate to be set by the board for each year of retroactive payments. Upon making this lump sum payment, the worker shall be given credit for all prior service in the same manner as if the worker had applied for membership upon first becoming eligible.

A member who is not yet 35 years ~~old, who applied for membership after first becoming eligible, and who did not receive credit for prior service~~ old may receive credit for the prior service upon making a lump sum payment of ten dollars ($10.00) for each month since the worker first became eligible, plus interest at an annual rate to be set by the board for each year of retroactive payments. Upon making this lump sum payment, the date of membership shall be the same as if the worker had applied for membership upon first becoming eligible."

SECTION 2.(g) G.S. 58-86-50 is repealed.

SECTION 2.(h) G.S. 58-86-60 reads as rewritten:

"**§ 58-86-60. Payments in lump sums.**

The board shall direct payment in lump sums from the fund in the following cases:

(1) To any fireman or rescue squad worker upon the attaining of the age of 55 years, who, for any reason, is not qualified to receive the monthly retirement pension and who was enrolled as a member of the fund, an amount equal to the amount paid into the fund by him. This provision shall not be construed to preclude any active fireman or rescue squad worker from completing the requisite number of years of active service after attaining the age of 55 years necessary to entitle him to the pension.

(2) If any fireman or rescue squad worker dies before attaining the age at which a pension is payable to him under the provisions of this Article, there shall be paid to his widow, or if there be no widow, 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 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."

SECTION 3.(d) G.S. 135-5(c) reads as rewritten:

"(c) Disability Retirement Benefits of Members Leaving Service Prior to January 1, 1988. – The provisions of this subsection shall not be applicable to members in service on or after January 1, 1988. 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 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%) 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.(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 aforestated 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 aforestated 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

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 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.

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%).

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.
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."

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 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.

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

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."

SECTION 4.(b) G.S. 135-10.1 reads as rewritten:

"**§ 135-10.1. 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 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."

SECTION 5.(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 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 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, 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.

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, 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

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 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 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 5.(c) 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

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 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

of the retirement allowance in effect immediately prior to the effective date of the new nomination. Any member having elected Options two, three, or six 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.

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 designation duly acknowledged and filed with the Board of Trustees at the time of his retirement; or

Option four. 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 ~~Table~~ 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 five. For Members Retiring prior to July 1, 1993. – The member may elect to receive a reduced retirement allowance under the conditions of Option two or Option three, 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 1/120th 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 six. A member may elect either Option two or Option three 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.(e) 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 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. 128-26, 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 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 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 5.(f) 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

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.

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 6.(a) 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 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 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 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after January 1, 1999, but before July 1, 2004, 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 six thousand dollars ($6,000) 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 2004, but before July 1, 2007, 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 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 2007, 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 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.(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

purposes of this death benefit "in service" means currently serving as a member of the North Carolina General Assembly. "In service" also means 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 service begins during the member's term of office. 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.

The death benefit provided by this section shall be designated a group life insurance benefit payable under an employee welfare benefit plan that is separate and apart from the Retirement System but under which the members of the Retirement System shall participate and be eligible for group life insurance benefits. The Board of Trustees is authorized to provide the death benefit in the form of group life insurance either by purchasing a contract or contracts of group life insurance with any life insurance company or companies licensed and authorized to transact business in the State of North Carolina for the purpose of insuring the lives of qualified members in service, or by establishing or affiliating with a separate trust fund qualified under Section 501(c)(9) of the Internal Revenue Code of 1954, as amended.

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, 1988, but before January 1, 1999, 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 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 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 January 1, 1999, but before July 1, 2004, 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 six thousand dollars ($6,000) 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, 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.

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 where the member is promoted retroactively."

SECTION 7.(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 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.

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 where the member is promoted retroactively."

SECTION 8.(a) G.S. 135-3(8) is amended by adding a new sub-subdivision to read:

"c1. Employers shall report each reemployment covered by the provisions of sub-subdivision c. of this subdivision within 90 days of the reemployment, including the nature of the reemployment, the date of the reemployment, and the compensation. If such a report is not received within the required 90 days, the Board shall assess the

employer with a penalty of one percent (1%) per month with a minimum penalty of twenty-five dollars ($25.00)."

SECTION 8.(b) G.S. 128-24(5) is amended by adding a new sub-subdivision to read:

"c1. Employers shall report each reemployment covered by the provisions of sub-subdivision c. of this subdivision within 90 days of the reemployment, including the nature of the reemployment, the date of the reemployment, and the compensation. If such a report is not received within the required 90 days, the Board shall assess the employer with a penalty of one percent (1%) per month with a minimum penalty of twenty-five dollars ($25.00)."

SECTION 9. G.S. 135-5(c), amended by Section 3(d) of this act, reads as rewritten:

"(c) Disability Retirement Benefits of Members Leaving Service Prior to January 1, 1988. – The provisions of this subsection shall not be applicable to members in service on or after January 1, 1988. 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 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 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 accumulated contributions, plus (ii) the member's final compensation; provided, however, that if the member has attained his fiftieth birthday with at least five years of membership service at his date of death, and if the designated recipient of the death benefits is the member's spouse who survives him, and if the spouse so elects, then the lump-sum death benefit provided for herein shall consist only of a payment equal to the member's final compensation and there shall be paid to the surviving spouse an annual retirement allowance, payable monthly, which shall commence on the first day of the calendar month coinciding with or next following the death of the member and shall be continued on the first day of each month thereafter until the remarriage or death of the spouse. The amount of any such retirement allowance shall be equal to one half of the amount of the retirement allowance to which the member would have been entitled had he retired under the provisions of G.S. 135-57(a) on the first day of the calendar month coinciding with or next following his date of death, reduced by two percent (2%) thereof for each full year, if any, by which the age of the member at his date of death exceeds that of his spouse. If the retirement allowance to the spouse shall terminate on the remarriage or death of the spouse before the total of the retirement allowance payments made equals the amount of the member's accumulated contributions at date of death, the excess of such accumulated contributions over the total of the retirement allowances paid to the spouse shall be paid in a lump sum to such person as the member 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 is living at the time such payment falls due, otherwise to the former member's legal representatives."

SECTION 11.(b) G.S. 135-63(c) reads as rewritten:

"(c) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a member not 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 member's accumulated contributions."

SECTION 11.(c) G.S. 135-64(c) reads as rewritten:

"(c) In the event of the death of a former member while in receipt of a retirement allowance under the provisions of G.S. 135-58, 135-60, or 135-61, if such former member is not survived by a spouse to whom a retirement allowance is payable under the provisions of subsection (a) or subsection (b) above, nor survived by a beneficiary to whom a monthly survivorship benefit is payable under one of the optional modes of payment under G.S. 135-61, there shall be paid to such person as the member 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 is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions of the member at his date of retirement over the total of the retirement allowances paid to him prior to his death."

SECTION 11.(d) G.S. 135-64(d) reads as rewritten:

"(d) In the event that a retirement allowance becomes payable to the spouse of a former member under the provisions of subsection (a) or subsection (b) above, or to the designated survivor of a former member under one of the optional modes of payment under G.S. 135-61, and such retirement allowance to the spouse shall terminate on the remarriage or death of the spouse, or on the death of the designated survivor, before the total of the retirement allowances paid to the former member and his spouse or designated survivor combined equals the amount of the member's accumulated contributions at his date of retirement, the excess of such accumulated contributions over the total of the retirement allowances paid to the former member and his spouse or designated survivor combined shall be paid in a lump sum to such person as the member 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 is living at the time such payment falls due, otherwise to the former member's legal representatives."

SECTION 11.(e) G.S. 135-5(f) reads as rewritten:

"(f) Return of Accumulated Contributions. – Should a member cease to be a teacher or State employee except by death or retirement under the provisions of this Chapter, he shall upon submission of an application be paid, not earlier than 60 days from the date of termination of service, his contributions, and if he has attained at least five years of membership service or if termination of his membership service is involuntary as certified by the employer, the accumulated regular interest thereon, provided that he has not in the meantime returned to service. Upon payment of such sum his membership in the System shall cease and, if he thereafter again becomes a member, no credit shall be allowed for any service previously rendered except as provided in G.S. 135-4, and such payment shall be in full and complete discharge of any rights in or to any benefits otherwise payable hereunder. 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 such person or persons 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 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 (m) below. An extension service employee who made contributions to the Local Governmental Employees' Retirement System and the Teachers' and State Employees' Retirement System as a result of dual employment may not be paid his accumulated contributions unless he is eligible to be paid his accumulated contributions in both systems for the same period of service.

Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated contributions to the Consolidated Judicial Retirement System or to the Supplemental Retirement Income Plan and forfeit any rights in or to any benefits otherwise payable hereunder.

A member who is a participant or beneficiary of the Disability Income Plan of North Carolina as is provided in Article 6 of this Chapter shall not be paid a return of accumulated contributions, notwithstanding the member's status as an employee or teacher. Notwithstanding any other provision of law to the contrary, a member who is a beneficiary of the Disability Income Plan of North Carolina as provided in Article 6 of this Chapter and who is receiving disability benefits under the transition provisions as provided in G.S. 135-112, shall not be prohibited from receiving a return of accumulated contributions as provided in this subsection."

SECTION 11.(f) G.S. 135-5(g1), as amended by Section 5(b) of this act, 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 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 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 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 11.(g) G.S. 135-5(l), as amended by Section 6(a) of this act, 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 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 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after January 1, 1999, but before July 1, 2004, 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 six thousand dollars ($6,000) 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 2004, but before July 1, 2007, 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 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 2007, 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 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 11.(h) G.S. 128-27(f) reads as rewritten:

"(f) Return of Accumulated Contributions. – Should a member cease to be an employee except by death or retirement under the provisions of this Chapter, he shall upon submission of an application be paid, not earlier than 60 days from the date of termination of service, his contributions and, if he has attained at least five years of membership service or if termination of his membership service is involuntary as certified by the employer, the accumulated regular interest thereon, provided that he has not in the meantime returned to service. Upon payment of such sum his membership in the System shall cease and, if he thereafter again becomes a member, no credit shall be allowed for any service previously rendered except as provided in G.S. 128-26; and such payment shall be in full and complete discharge of any rights in or to any benefits otherwise payable hereunder. 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 such person or persons 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 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 (m) below. An extension service employee who made contributions to the Local Governmental Employees' Retirement System and the Teachers' and State Employees' Retirement System as a result of dual employment may not be paid his accumulated contributions unless he is eligible to be paid his accumulated contributions in both systems for the same period of service.

Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated contributions to the Consolidated Judicial Retirement System or to the Supplemental Retirement Income Plan and forfeit any rights in or to any benefits otherwise payable hereunder."

SECTION 11.(i) G.S. 128-27(g1), as amended by Section 5(e) of this act, 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 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 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. 128-26, 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 11.(j) G.S. 128-27(l), as amended by Section 6(b) of this act, 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 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, 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:

"(3) Should any member in any period of six consecutive years after becoming a member be absent from service more than five years, or should he withdraw his accumulated contributions, or should he become a beneficiary or die, he shall thereupon cease to be a member: Provided that on and after July 1, 1967, should any member in any period of eight consecutive years after becoming a member be absent from service more than seven years, or should he withdraw his accumulated contributions, or should he become a beneficiary or die, he shall thereupon cease to be a member; provided further that the period of absence from service shall be computed from January 1, 1962, or later date of separation for any member whose contributions were not withdrawn prior to July 1, 1967: Provided that on and after July 1, 1971, a member shall cease to be a member only if he withdraws his accumulated contributions, or becomes a beneficiary, or dies.

Notwithstanding the foregoing, any persons whose membership was terminated under the provisions set forth above who had five or more years of creditable service and had not effected a return of contributions may elect to receive a retirement allowance on or after age 60; provided that this member may retire only upon electronic submission or written application to the Board of Trustees setting forth at which time, not less than 30 days nor more than 90 days subsequent to the execution and filing, he desires to be retired."

SECTION 12.(b) G.S. 135-3(8), as amended by Section 8(a) of this act, reads as rewritten:

(8) The provisions of this subsection (8) shall apply to any member whose membership is terminated on or after July 1, 1963 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. 135-5(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 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; and further provided that in the case of a member who so separates from service on or after July 1, 1967, or whose account is active on July 1, 1967, or has not withdrawn his contributions, the aforestated 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 aforestated 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 an eligible former law enforcement officer. Notwithstanding the foregoing, any member 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

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 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 90 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 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 permanent full-time or part-time capacity that exceeds fifty percent (50%) of the applicable workweek in a public school. The Department of Public Instruction shall certify to the Retirement System that a beneficiary is employed to teach by a local school administrative unit under the provisions of this sub-subdivision and as a retired teacher as the term is defined under the provisions of G.S. 115C-325(a)(5a).

The computation of postretirement earnings of a beneficiary under this sub-subdivision, who retired after October 1, 2007, 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 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 permanent full-time or part-time capacity that exceeds fifty percent (50%) of the applicable workweek in a public school. The Department of Public Instruction shall certify to the Retirement System that a beneficiary is employed to teach by a local school administrative unit under the provisions of this sub-subdivision and as a retired teacher as the term is defined under the provisions of G.S. 115C-325(a)(5a).

Beneficiaries employed under this sub-subdivision are not entitled to any benefits otherwise provided under this Chapter as a result of this period of employment.

c1. Employers shall report each reemployment covered by the provisions of sub-subdivision c. of this subdivision within 90 days of the reemployment, including the nature of the reemployment, the date of the reemployment, and the compensation. If such a report is not received within the required 90 days, the Board shall assess the employer with a penalty of one percent (1%) per month with a minimum penalty of twenty-five dollars ($25.00).

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.
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 <u>electronic submission or</u> 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 <u>electronic submission or</u> 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)."

SECTION 12.(f) G.S. 128-24(5), as amended by Sections 3(h) and 8(b) of this act, 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 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; and further provided that in the case of a member who so separates from service on or after July 1, 1967, the aforestated 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 aforestated 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 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%).

c1. Employers shall report each reemployment covered by the provisions of sub-subdivision c. of this subdivision within 90 days of the reemployment, including the nature of the reemployment, the date of the reemployment, and the compensation. If such a report is not received within the required 90 days, the Board shall assess the employer with a penalty of one percent (1%) per month with a minimum penalty of twenty-five dollars ($25.00).

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.
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."

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

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. 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. The reduction for primary Social Security disability benefits shall begin the first month following the month in which the member becomes entitled to those benefits. 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. The reduction for primary Social Security disability benefits shall begin the first month following the month in which the member becomes entitled to those benefits. 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 14. This act becomes effective July 1, 2009.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 645*
PROPOSED COMMITTEE SUBSTITUTE S645-PCS85203-LL-23

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

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 1.(b) G.S. 135-74(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 1.(c) G.S. 120-4.31(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 that 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 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

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.

A member may elect to terminate membership in the fund at anytime and request the refund of payments previously made to the fund. However, a member's delinquency in making the monthly payments required by this section does not result in the termination of membership without such an election by the member."

SECTION 2.(e) G.S. 58-86-40 reads as rewritten:

"**§ 58-86-40. Rescue squad worker's application for membership in funds; monthly payments by members; payments credited to separate accounts of members; termination of membership.**

Those rescue squad workers eligible pursuant to G.S. 58-86-30 may apply to the board for membership. Each eligible rescue squad worker upon becoming a member 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.

A member may elect to terminate membership in the fund at anytime and request the refund of payments previously made to the fund. However, a member's delinquency in making the monthly payments required by this section does not result in the termination of membership without such an election by the member."

SECTION 2.(f) G.S. 58-86-45(b) reads as rewritten:

"(b) An eligible fireman or rescue squad worker who is not yet 35 years old ~~and has not previously elected to become a member~~ may apply to the board of trustees for membership in the fund at any time. Upon becoming a member, the worker ~~must~~ may make a lump sum payment of ten dollars ($10.00) per month retroactively to the time the worker first became eligible to become a member, plus interest at an annual rate to be set by the board for each year of retroactive payments. Upon making this lump sum payment, the worker shall be given credit for all prior service in the same manner as if the worker had applied for membership upon first becoming eligible.

A member who is not yet 35 years ~~old, who applied for membership after first becoming eligible, and who did not receive credit for prior service~~ old may receive credit for the prior service upon making a lump sum payment of ten dollars ($10.00) for each month since the worker first became eligible, plus interest at an annual rate to be set by the board for each year of retroactive payments. Upon making this lump sum payment, the date of membership shall be the same as if the worker had applied for membership upon first becoming eligible."

SECTION 2.(g) G.S. 58-86-50 is repealed.

SECTION 2.(h) G.S. 58-86-60 reads as rewritten:

"**§ 58-86-60. Payments in lump sums.**

The board shall direct payment in lump sums from the fund in the following cases:

(1) To any fireman or rescue squad worker upon the attaining of the age of 55 years, who, for any reason, is not qualified to receive the monthly retirement pension and who was enrolled as a member of the fund, an amount equal to the amount paid into the fund by him. This provision shall not be construed to preclude any active fireman or rescue squad worker from completing the requisite number of years of active service after attaining the age of 55 years necessary to entitle him to the pension.

(2) If any fireman or rescue squad worker dies before attaining the age at which a pension is payable to him under the provisions of this Article, there shall be paid to his widow, or if there be no widow, 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 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."

SECTION 3.(d) G.S. 135-5(c) reads as rewritten:

"(c) Disability Retirement Benefits of Members Leaving Service Prior to January 1, 1988. – The provisions of this subsection shall not be applicable to members in service on or after January 1, 1988. 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 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%) 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.(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 aforestated 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 aforestated 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
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 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.

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%).

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.

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."

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

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.

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 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 90-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."

SECTION 4.(b) G.S. 135-10.1 reads as rewritten:

"**§ 135-10.1. 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 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 90-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."

SECTION 5.(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 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 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, 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.

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 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 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

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 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 5.(c) 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

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 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 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 of the retirement allowance in effect immediately prior to the effective date of the new nomination. Any member having elected Options two, three, or six 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.

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 designation duly acknowledged and filed with the Board of Trustees at the time of his retirement; or

Option four. 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 ~~Table~~ 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 five. For Members Retiring prior to July 1, 1993. – The member may elect to receive a reduced retirement allowance under the conditions of Option two or Option three, 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 1/120th 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 six. A member may elect either Option two or Option three 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.

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 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.(e) 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 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. 128-26, 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 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 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 5.(f) 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

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.

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 6.(a) 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 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 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 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after January 1, 1999, but before July 1, 2004, 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 six thousand dollars ($6,000) 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 2004, but before July 1, 2007, 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 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 2007, 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 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.(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 purposes of this death benefit "in service" means currently serving as a member of the North Carolina General Assembly. "In service" also means 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 service begins during the member's term of office. 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.

The death benefit provided by this section shall be designated a group life insurance benefit payable under an employee welfare benefit plan that is separate and apart from the Retirement System but under which the members of the Retirement System shall participate and be eligible for group life insurance benefits. The Board of Trustees is authorized to provide the death benefit in the form of group life insurance either by purchasing a contract or contracts of group life insurance with any life insurance company or companies licensed and authorized to transact business in the State of North Carolina for the purpose of insuring the lives of qualified members in service, or by establishing or affiliating with a separate trust fund qualified under Section 501(c)(9) of the Internal Revenue Code of 1954, as amended.

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, 1988, but before January 1, 1999, 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 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 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 January 1, 1999, but before July 1, 2004, 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 six thousand dollars ($6,000) 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, 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.

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 where the member is promoted retroactively."

SECTION 7.(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 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.

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 where the member is promoted retroactively."

SECTION 8.(a) G.S. 135-3(8) is amended by adding a new sub-subdivision to read:

"c1. Within 90 days of the end of each month in which a beneficiary is reemployed under the provisions of sub-subdivision c. of this subdivision, each employer shall provide a report for that month on each reemployed beneficiary, including the terms of the reemployment, the date of the reemployment, and the amount of the monthly compensation. If such a report is not received within the required 90 days, the Board shall assess the employer with a penalty of ten percent (10%) of the compensation of the unreported reemployed beneficiaries during the months for which the employer did not report the reemployed beneficiaries, with a minimum penalty of twenty-five dollars ($25.00)."

SECTION 8.(b) G.S. 128-24(5) is amended by adding a new sub-subdivision to read:

"c1. Within 90 days of the end of each month in which a beneficiary is reemployed under the provisions of sub-subdivision c. of this subdivision, each employer shall provide a report for that month on each reemployed beneficiary, including the terms of the reemployment, the date of the reemployment, and the amount of the monthly compensation. If such a report is not received within the required 90 days, the Board shall assess the employer with a penalty of ten percent (10%) of the compensation of the unreported reemployed beneficiaries during the months for which the employer did not report the reemployed beneficiaries, with a minimum penalty of twenty-five dollars ($25.00)."

SECTION 9. G.S. 135-5(c), amended by Section 3(d) of this act, reads as rewritten:

"(c) Disability Retirement Benefits of Members Leaving Service Prior to January 1, 1988. – The provisions of this subsection shall not be applicable to members in service on or after January 1, 1988. 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 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 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

accumulated contributions, plus (ii) the member's final compensation; provided, however, that if the member has attained his fiftieth birthday with at least five years of membership service at his date of death, and if the designated recipient of the death benefits is the member's spouse who survives him, and if the spouse so elects, then the lump-sum death benefit provided for herein shall consist only of a payment equal to the member's final compensation and there shall be paid to the surviving spouse an annual retirement allowance, payable monthly, which shall commence on the first day of the calendar month coinciding with or next following the death of the member and shall be continued on the first day of each month thereafter until the remarriage or death of the spouse. The amount of any such retirement allowance shall be equal to one half of the amount of the retirement allowance to which the member would have been entitled had he retired under the provisions of G.S. 135-57(a) on the first day of the calendar month coinciding with or next following his date of death, reduced by two percent (2%) thereof for each full year, if any, by which the age of the member at his date of death exceeds that of his spouse. If the retirement allowance to the spouse shall terminate on the remarriage or death of the spouse before the total of the retirement allowance payments made equals the amount of the member's accumulated contributions at date of death, the excess of such accumulated contributions over the total of the retirement allowances paid to the spouse shall be paid in a lump sum to such person as the member 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 is living at the time such payment falls due, otherwise to the former member's legal representatives."

SECTION 11.(b) G.S. 135-63(c) reads as rewritten:

"(c) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a member not 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 member's accumulated contributions."

SECTION 11.(c) G.S. 135-64(c) reads as rewritten:

"(c) In the event of the death of a former member while in receipt of a retirement allowance under the provisions of G.S. 135-58, 135-60, or 135-61, if such former member is not survived by a spouse to whom a retirement allowance is payable under the provisions of subsection (a) or subsection (b) above, nor survived by a beneficiary to whom a monthly survivorship benefit is payable under one of the optional modes of payment under G.S. 135-61, there shall be paid to such person as the member 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 is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions of the member at his date of retirement over the total of the retirement allowances paid to him prior to his death."

SECTION 11.(d) G.S. 135-64(d) reads as rewritten:

"(d) In the event that a retirement allowance becomes payable to the spouse of a former member under the provisions of subsection (a) or subsection (b) above, or to the designated survivor of a former member under one of the optional modes of payment under G.S. 135-61, and such retirement allowance to the spouse shall terminate on the remarriage or death of the spouse, or on the death of the designated survivor, before the total of the retirement allowances paid to the former member and his spouse or designated survivor combined equals the amount of the member's accumulated contributions at his date of retirement, the excess of such accumulated contributions over the total of the retirement allowances paid to the former member and his spouse or designated survivor combined shall be paid in a lump sum to such

person as the member 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 is living at the time such payment falls due, otherwise to the former member's legal representatives."

SECTION 11.(e) G.S. 135-5(f) reads as rewritten:

"(f) Return of Accumulated Contributions. – Should a member cease to be a teacher or State employee except by death or retirement under the provisions of this Chapter, he shall upon submission of an application be paid, not earlier than 60 days from the date of termination of service, his contributions, and if he has attained at least five years of membership service or if termination of his membership service is involuntary as certified by the employer, the accumulated regular interest thereon, provided that he has not in the meantime returned to service. Upon payment of such sum his membership in the System shall cease and, if he thereafter again becomes a member, no credit shall be allowed for any service previously rendered except as provided in G.S. 135-4, and such payment shall be in full and complete discharge of any rights in or to any benefits otherwise payable hereunder. 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 such person or persons 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 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 (m) below. An extension service employee who made contributions to the Local Governmental Employees' Retirement System and the Teachers' and State Employees' Retirement System as a result of dual employment may not be paid his accumulated contributions unless he is eligible to be paid his accumulated contributions in both systems for the same period of service.

Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated contributions to the Consolidated Judicial Retirement System or to the Supplemental Retirement Income Plan and forfeit any rights in or to any benefits otherwise payable hereunder.

A member who is a participant or beneficiary of the Disability Income Plan of North Carolina as is provided in Article 6 of this Chapter shall not be paid a return of accumulated contributions, notwithstanding the member's status as an employee or teacher. Notwithstanding any other provision of law to the contrary, a member who is a beneficiary of the Disability Income Plan of North Carolina as provided in Article 6 of this Chapter and who is receiving disability benefits under the transition provisions as provided in G.S. 135-112, shall not be prohibited from receiving a return of accumulated contributions as provided in this subsection."

SECTION 11.(f) G.S. 135-5(g1), as amended by Section 5(b) of this act, 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 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 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 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 11.(g) G.S. 135-5(l), as amended by Section 6(a) of this act, 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 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 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after January 1, 1999, but before July 1, 2004, 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 six thousand dollars ($6,000) 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 2004, but before July 1, 2007, 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 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 2007, 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 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 11.(h) G.S. 128-27(f) reads as rewritten:

"(f) Return of Accumulated Contributions. – Should a member cease to be an employee except by death or retirement under the provisions of this Chapter, he shall upon submission of an application be paid, not earlier than 60 days from the date of termination of service, his contributions and, if he has attained at least five years of membership service or if termination of his membership service is involuntary as certified by the employer, the accumulated regular interest thereon, provided that he has not in the meantime returned to service. Upon payment of such sum his membership in the System shall cease and, if he thereafter again becomes a member, no credit shall be allowed for any service previously rendered except as provided in G.S. 128-26; and such payment shall be in full and complete discharge of any rights in or to any benefits otherwise payable hereunder. 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 such person or persons 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 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 (m) below. An extension service employee who made contributions to the Local Governmental Employees' Retirement System and the Teachers' and State Employees' Retirement System as a result of dual employment may not be paid his accumulated contributions unless he is eligible to be paid his accumulated contributions in both systems for the same period of service.

Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated contributions to the Consolidated Judicial Retirement System or to the Supplemental Retirement Income Plan and forfeit any rights in or to any benefits otherwise payable hereunder."

SECTION 11.(i) G.S. 128-27(g1), as amended by Section 5(e) of this act, 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 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 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. 128-26, 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 11.(j) G.S. 128-27(l), as amended by Section 6(b) of this act, 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 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 <u>electronic submission prior to completing 10 years of service in a form approved by the Board of Trustees or by</u> 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:

"(3) Should any member in any period of six consecutive years after becoming a member be absent from service more than five years, or should he withdraw his accumulated contributions, or should he become a beneficiary or die, he shall thereupon cease to be a member: Provided that on and after July 1, 1967, should any member in any period of eight consecutive years after becoming a member be absent from service more than seven years, or should he withdraw his accumulated contributions, or should he become a beneficiary or die, he shall thereupon cease to be a member; provided further that the period of absence from service shall be computed from January 1, 1962, or later date of separation for any member whose contributions were not withdrawn prior to July 1, 1967: Provided that on and after July 1, 1971, a member shall cease to be a member only if he withdraws his accumulated contributions, or becomes a beneficiary, or dies.

Notwithstanding the foregoing, any persons whose membership was terminated under the provisions set forth above who had five or more years of creditable service and had not effected a return of contributions may elect to receive a retirement allowance on or after age 60; provided that this member may retire only upon electronic submission or written application to the Board of Trustees setting forth at which time, not less than 30 days nor more than 90 days subsequent to the execution and filing, he desires to be retired."

SECTION 12.(b) G.S. 135-3(8), as amended by Section 8(a) of this act, reads as rewritten:

"(8) The provisions of this subsection (8) shall apply to any member whose membership is terminated on or after July 1, 1963 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. 135-5(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 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; and further provided that in the case of a member who so separates from service on or after July 1, 1967, or whose account is active on July 1, 1967, or has not withdrawn his contributions, the aforestated 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 aforestated 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 an eligible former law enforcement officer. Notwithstanding the foregoing, any member 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 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

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 90 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 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 permanent full-time or part-time capacity that exceeds fifty percent (50%) of the applicable workweek in a public school. The Department of Public Instruction shall certify to the Retirement System that a beneficiary is employed to teach by a local school administrative unit under the provisions of this sub-subdivision and as a retired teacher as the term is defined under the provisions of G.S. 115C-325(a)(5a).

The computation of postretirement earnings of a beneficiary under this sub-subdivision, who retired after October 1, 2007, 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 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 permanent full-time or part-time capacity that exceeds fifty percent (50%) of the applicable workweek in a public school. The Department of Public Instruction shall certify to the Retirement System that a beneficiary is employed to teach by a local school administrative unit under the provisions of this sub-subdivision and as a retired teacher as the term is defined under the provisions of G.S. 115C-325(a)(5a).

Beneficiaries employed under this sub-subdivision are not entitled to any benefits otherwise provided under this Chapter as a result of this period of employment.

c1. Employers shall report each reemployment covered by the provisions of sub-subdivision c. of this subdivision within 90 days of the reemployment, including the nature of the reemployment, the date of the reemployment, and the compensation. If such a report is not received within the required 90 days, the Board shall assess the employer with a penalty of one percent (1%) per month with a minimum penalty of twenty-five dollars ($25.00).

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.
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)."

SECTION 12.(f) G.S. 128-24(5), as amended by Sections 3(h) and 8(b) of this act, 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 <u>electronic submission or</u> 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; and further provided that in the case of a member who so separates from service on or after July 1, 1967, the aforestated 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 aforestated 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 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%).

c1. Employers shall report each reemployment covered by the provisions of sub-subdivision c. of this subdivision within 90 days of the reemployment, including the nature of the reemployment, the date of the reemployment, and the compensation. If such a report is not received within the required 90 days, the Board shall assess the employer with a penalty of one percent (1%) per month with a minimum penalty of twenty-five dollars ($25.00).

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.

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."

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 <u>electronic submission or</u> 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 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.

SENATE BILL 645:
Retirement Technical Corrections

2009-2010 General Assembly

Committee:	Senate Ref to Pensions & Retirement & Aging. If fav, re-ref to Appropriations/Base Budget	**Date:**	May 5, 2009
Introduced by:	Sen. Foriest	**Prepared by:**	Karen Cochrane-Brown Committee Counsel
Analysis of:	PCS to First Edition S645-CSLL-23		

SUMMARY: ***Senate Bill 645 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.***

The PCS deletes a section of the bill related to the Disability Income Plan.

BILL ANALYSIS:

Section 1(a),(b), (c), and (d): Amends the laws of each of the four State Retirement Systems to allows 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.

- 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.

EFFECTIVE DATE: This act becomes effective July 1, 2009.

Stanley Moore, staff to House Pensions and Retirement committee substantially contributed to this summary.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 645 (Second Edition)

SHORT TITLE: Retirement Technical Corrections.

SPONSOR(S): Senator Foriest

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: May 6, 2009

Signed Copy Located in the NCGA Principal Clerk's Offices

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 468

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.~~county. 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. This act is effective when it becomes law.

Attachment 3

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 468
PROPOSED COMMITTEE SUBSTITUTE S468-CSSH-35 [v.7]

5/5/2009 6:32:20 PM

Short Title: Allow Hlth Insurance-Former Officer/Employee. (Local)

Sponsors:

Referred to:

March 9, 2009

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE CERTAIN COUNTIES TO PROVIDE HEALTH INSURANCE BENEFITS TO FORMER OFFICERS AND 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.~~county. 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. This act applies to Buncombe, Durham, Granville, and Martin Counties only.

SECTION 3. This act is effective when it becomes law.

SENATE BILL 468:
Allow Hlth Insurance-Former Durham Off/Emp.

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	May 5, 2009
Introduced by:	Sen. McKissick	**Prepared by:**	Theresa Matula
Analysis of:	PCS to First Edition S468-CSSH-35		Committee Staff

SUMMARY: ***The Proposed Committee Substitute for Senate Bill 468 authorizes Buncombe, Durham, Granville, and Martin Counties to provide health insurance for former officers and employees of the county that are not receiving retirement benefits. This bill has also been changed from a public bill to a local bill.***

CURRENT LAW:

G.S. 153A-52(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 allows, 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 entirely 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:

The PCS for Senate Bill 468 amends G.S. 153A-93(d) to authorize certain 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.

EFFECTIVE DATE:

Senate Bill 468 would become effective when it becomes law and applies only to Buncombe, Durham, Granville, Durham, and Martin Counties.

S468-SMSH-82(CSSH-35) v3

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 624

Short Title:	25-Year Law Enforcement Retirement.	(Public)
Sponsors:	Senator Boseman.	
Referred to:	Pensions & Retirement & Aging.	

March 17, 2009

A BILL TO BE ENTITLED

AN ACT TO ALLOW LAW ENFORCEMENT OFFICERS WHO ARE MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OR THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO RETIRE WITH UNREDUCED BENEFITS AFTER COMPLETING TWENTY-FIVE YEARS OF SERVICE AND TO AMEND THE SPECIAL SEPARATION ALLOWANCE BENEFIT FOR LAW ENFORCEMENT OFFICERS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-5(b19) reads as rewritten:

"(b19) Service Retirement Allowance of Members Retiring on or After July 1, ~~2002.~~ 2002, but Before July 1, 2009. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2002, but before July 1, 2009, a member shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 135-5(b19)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b19)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

Attachment 4

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of membership service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of his average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 135-5(b19)(2)a. but shall be reduced by one-quarter of one percent (¼ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 135-5(b19)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (¼ of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b19)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b19)(2)b.

d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1963, shall not receive less than the benefit provided by G.S. 135-5(b)."

SECTION 2. G.S. 135-5 is amended by adding a new subsection to read:

"(b20) Service Retirement Allowance of Members Retiring on or After July 1, 2009. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2009, a member shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law

enforcement officer, or after the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 25 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 135-5(b20)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b20)(1)a. reduced by five percent (5%) times the difference between 25 years and his creditable service at retirement.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of membership service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of his average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 135-5(b20)(2)a. but shall be reduced by one-quarter of one percent (¼ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 135-5(b20)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (¼ of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b20)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b20)(2)b.

d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1963, shall not receive less than the benefit provided by G.S. 135-5(b)."

SECTION 3. 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.,~~ G.S. 135-5(b20)(1)b. or G.S. 135-5(b20)(2)c., 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 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."

SECTION 4. G.S. 128-27(b21) reads as rewritten:

"(b21) Service Retirement Allowance of Member Retiring on or After July 1, ~~2003.~~ 2003, but Before July 1, 2009. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2003, but before July 1, 2009, a member shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 55th birthday and completion of five years of creditable service as a law

enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-five hundredths percent (1.85%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 128-27(b21)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday;
2. The service retirement allowance as computed under G.S. 128-27(b21)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-five hundredths percent (1.85%) of average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 128-27(b21)(2)a. but shall be reduced by one-quarter of one percent (¼ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 128-27(b21)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (¼ of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 128-27(b21)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or
3. If the member's creditable service commenced prior to July 1, 1995, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 128-27(b21)(2)b.

d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1965, shall not receive less than the benefit provided by G.S. 128-27(b)."

SECTION 5. G.S. 128-27 is amended by adding a new subsection to read:

"(b22) Service Retirement Allowance of Member Retiring on or After July 1, 2009. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2009, a member shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 55th birthday and completion of five years of creditable service as a law enforcement officer, or after the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-five hundredths percent (1.85%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 25 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 128-27(b22)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday;
2. The service retirement allowance as computed under G.S. 128-27(b22)(1)a. reduced by five percent (5%) times the difference between 25 years and his creditable service at retirement.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-five hundredths percent (1.85%) of average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years

or more of creditable service, his retirement allowance shall be computed as in G.S. 128-27(b22)(2)a. but shall be reduced by one-quarter of one percent (¼ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 128-27(b22)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (¼ of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 128-27(b22)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1995, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 128-27(b22)(2)b.

d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1965, shall not receive less than the benefit provided by G.S. 128-27(b)."

SECTION 6. 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.,~~ G.S. 128-27(b22)(1)b. or G.S. 128-27(b22)(2)c., 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 7. G.S. 143-166.41 reads as rewritten:

"**§ 143-166.41. Special separation allowance.**

(a) Notwithstanding any other provision of law, every sworn law-enforcement officer as defined by G.S. 135-1(11b) or G.S. 143-166.30(a)(4) employed by a State department, agency, or institution who qualifies under this section shall receive, beginning in the month in which he retires on a basic service retirement under the provisions of G.S. 135-5(a) or G.S. 143-166(y), 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 him for each year of creditable service. Payment of the special separation allowance shall be made at the same time as the officer's retirement benefits. 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~~ 25 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;~~ become eligible for unreduced Social Security benefits; 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.

(b) As used in this section, "creditable service" means the service for which credit is allowed under the retirement system of which the officer is a member, provided that at least fifty percent (50%) of the service is as a law enforcement officer as herein defined.

(b1) Payment of the special separation allowance shall be administered by the Department of State Treasurer, which shall establish a Special Separation Allowance Fund to receive funds from each department, agency, or institution employing officers who are entitled to receive benefits under this Article. The Department of State Treasurer shall establish the percentage allocation for each officer during the officer's employment with an agency based upon the amount necessary to fund the officer's separation allowance. Each agency shall pay this amount to the Department of State Treasurer to be allocated to each officer during the officer's career, and the amount shall be portable from agency to agency.

(c) Payment to a retired officer under the provisions of this section shall cease at the first of:

(1) The death of the officer;

(2) The last day of the month in which the officer ~~attains 62 years of age;~~ becomes eligible for unreduced Social Security benefits; or

(3) ~~The first day of reemployment by any State department, agency, or institution, except that this subdivision does not apply to an officer returning to State employment in a position exempt from the State Personnel Act in an agency other than the agency from which that officer retired.~~ Any

employment of the officer that causes suspension of payment of the officer's retirement allowance.

(d) This section does not affect the benefits to which an individual may be entitled from State, federal, or private retirement systems. The benefits payable under this section shall not be subject to any increases in salary or retirement allowances that may be authorized by the General Assembly for employees of the State or retired employees of the State.

(e) The head of each State department, agency, or institution shall determine the eligibility of employees for the benefits provided herein.

(f) The Director of the Budget may authorize from time to time the transfer of funds within the budgets of each State department, agency, or institution necessary to carry out the purposes of this Article. These funds shall be taken from those appropriated to the department, agency, or institution for salaries and related fringe benefits.

(g) The head of each State department, agency, or institution shall make the payments set forth in subsection (a) to those persons certified under subsection (e) from funds available under subsection (f)."

SECTION 8. The Department of State Treasurer shall develop and implement a plan for transitioning administration of the special separation allowance to the Department as provided for in this act.

SECTION 9. Section 8 of this act is effective when it becomes law. Section 7 of this act becomes effective January 1, 2010. The remainder of this act becomes effective July 1, 2009.

SENATE BILL 624:
25-Year Law Enforcement Retirement

2009-2010 General Assembly

Committee:	Senate Ref to Pensions & Retirement & Aging. If fav, re-ref to Appropriations/Base Budget	**Date:**	May 5, 2009
Introduced by:	Sen. Boseman	**Prepared by:**	Karen Cochrane-Brown Committee Counsel
Analysis of:	First Edition		

SUMMARY: ***Senate Bill 624 would allow law enforcement officers with 25 years of service who are members of the Teachers' and State Employees' Retirement System (TSERS) or the Local Governmental Employees' Retirement System (LGERS) to retire with an unreduced retirement benefit. The bill also reduces the requirement to 25 years for the special separation allowance and provides that this benefit will be administered by the Department of State Treasurer.***

BILL ANALYSIS:

Sections 1, 2 & 3 amend Chapter 135 of the General Statutes regarding the **Teachers' and State Employees' Retirement System (TSERS).** Section 1 amends G.S. 135-5(b19) to specify that the benefits outlined under the subsection apply to the Service Retirement Allowance of Members Retiring *on or After July 1, 2002, but Before July 1, 2009.* Section 2 adds G.S 135-5(b20) outlining the Service Retirement Allowance of Members Retiring *on or After July 1, 2009.* The amendments allow:

- A member who is a law enforcement officer, or eligible former law enforcement officer, to receive an unreduced retirement benefit on or after his 55th birthday and completion of five years creditable service as a law enforcement officer, or after the completion of *25 years of creditable service* (currently 30 years); and
- A member who is a law enforcement officer, or eligible former law enforcement officer, whose retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of *25 years of creditable service* (currently 30 years) to receive a reduced retirement benefit.

Section 3 makes conforming amendments to the statutory references under the *Survivor's Alternate Benefit* provision.

Sections 4, 5, & 6 amend Chapter 128 of the General Statutes regarding the **North Carolina Local Governmental Employee's Retirement System (LGERS).** The amendments to G.S. 128-27(b21) and the addition of G.S. 128-27(b22) are consistent with those made for TSERS members in Sections 1 and 2 of the bill. Consistent with amendments to Section 3 above, Section 6 makes conforming amendments to the statutory references under the *Survivor's Alternate Benefit* provision

Section 7 makes a conforming amendment from 30 years to 25 years of creditable service under the *special separation allowance* for law enforcement officers provided in G.S. 143-166.41(a). The section also adds a new provision to allow payment of the special separation allowance to be administered by the Department of State Treasurer rather than the officer's employer as is currently the case.

Section 8 directs the Department of State Treasurer to develop and implement a plan for transitioning the administration of the special separation allowance as provided by Section 7.

Section 9 makes Section 8 of the act effective when it becomes law. Section 7 becomes effective January 1, 2010, and the remainder of the act becomes effective July 1, 2009.

Theresa Matula substantially contributed to this summary.

S624-SMRO-70(e1) v1

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 624 (First Edition)

SHORT TITLE: 25-Year Law Enforcement Retirement.

SPONSOR(S): Senator Boseman

FUNDS AFFECTED: (1) General Fund, Highway Fund, and Receipt Funds to fund the Teachers' and State Employees' Retirement System and (2) Local Funds to fund the Local Governmental Employees' Retirement System

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System, and Local Governmental Employees' Retirement System and the Special Separation Allowance for both state and local law enforcement officer.

EFFECTIVE DATE: July 1, 2009 and January 1, 2010

BILL SUMMARY: The bill reduces the service requirement for receiving an unreduced retirement benefits from 30 years of service at any age to 25 years of service at any age as a law enforcement officer. The bill also makes several changes to the special separation allowance. The requirement of 30 years of service is reduced to 25 years in order to qualify to receive the special separation allowance of .85% of salary for each year of service.
The bill changes the length that the retired law enforcement officers are eligible to receive the Special Separation Allowance until the time they become eligible for unreduced Social Security benefits. Under the present law, benefits stop at age 62. The bill also allows the benefits to continue during re-employment until such time that the retirement benefit is suspended.

ESTIMATED IMPACT ON STATE: Teachers' and State Employees' Retirement System
Retirement System Actuary: Buck Consultants estimates the cost will increase by .04% of the payroll of all members of the Teachers' and State Employees' Retirement System. The estimated amount of the separation allowance is shown on a pay-as-you-go basis since there are some questions as to how the fund is to be set up and the funding of future benefits.

	2009-10	2010-11	2011-12	2012-13	2013-14
General Fund	$4.1M	$4.3M	$4.5M	$4.8M	$5.0M
Highway Fund	$ 0.2M	$ 0.2M	$ 0.2M	$ 0.2M	$ 0.2M
Receipt Funds	$ 1.6M	$ 1.7M	$ 1.7M	$ 1.8M	$ 1.9M
Retirement Cost	**$5.8M**	**$6.2M**	**$6.5M**	**$6.8M**	**$7.2M**
Separation Allow.	**$0.5M**	**$1.2M**	**$1.9M**	**$2.6M**	**$3.3M**
TOTAL COST	**$6.3M**	**$7.4M**	**$8.4M**	**$9.4M**	**$10.5M**

There is additional cost as a result of the Special Separation Allowance continuing until the re-employment of the retiree causes suspension of the basis retirement payment, but the actuary was unable to calculate since no data on the re-employed retirees is available.

General Assembly Actuary: Hartman & Associates estimates the cost will increase by .04% of the payroll of all members of the Teachers' and State Employees' Retirement System. The estimated amount of the separation allowance is shown on a pay-as-you-go basis since there are some questions as to how the fund is to be set up and the funding of future benefits.

	2009-10	2010-11	2011-12	2012-13	2013-14
General Fund	$4.1M	$4.3M	$4.5M	$4.8M	$5.0M
Highway Fund	$ 0.2M	$ 0.2M	$ 0.2M	$ 0.2M	$ 0.2M
Receipt Funds	$ 1.6M	$ 1.7M	$ 1.7M	$ 1.8M	$ 1.9M
Retirement Cost	**$5.8M**	**$6.2M**	**$6.5M**	**$6.8M**	**$7.2M**
Separation Allow.	**$1.0M**	**$3.0M**	**$4.3M**	**$4.8M**	**$5.1M**
TOTAL COST	**$6.8M**	**$9.2M**	**$10.8M**	**$11.6M**	**$12.3M**

ESTIMATED IMPACT ON LOCAL GOVERNMENTS: Local Governmental Employees' Retirement System

Retirement System Actuary: Buck Consultants estimates the normal cost will increase from 5.27% of payroll to 5.72% for a net increase of 0.45% of the payroll of law enforcement officers. Buck estimates the unfunded accrued liability cost will be 1.03% of the payroll of law enforcement officers based on a 24-year amortization period. The estimated payroll is $920,000,000 for local law enforcement officers.

	2009-10	2010-11	2011-12	2012-13	2013-14
Normal Cost	$4.1M	$4.3M	$4.6M	$4.8M	$5.0M
Unfunded Liability	$9.5M	$9.9M	$10.4M	$10.9M	$11.5M
Retirement Cost	$13.6M	$14.3M	$15.0M	$15.7M	$16.5M
Separation Allow.	$ 2.2M	$ 5.3M	$ 7.7M	$10.8M	$13.6M
TOTAL COST	**$15.8M**	**$19.6M**	**$22.7M**	**$26.5M**	**$30.0M**

General Assembly Actuary: Hartman & Associates estimates the normal cost will increase from 5.27% of payroll to 5.72% for a net increase of 0.45% of the payroll of law enforcement officers. Hartman estimates the unfunded accrued liability cost will be 1.02% of the payroll of law enforcement officers based on a 24-year amortization period.

	2009-10	2010-11	2011-12	2012-13	2013-14
Normal Cost	$4.1M	$4.3M	$4.6M	$4.8M	$5.0M
Unfunded Liability	$9.4M	$9.8M	$10.3M	$10.8M	$11.3M
Retirement Cost	$13.5M	$14.2M	$14.9M	$15.6M	$16.4M
Separation Allow.	$ 2.6M	$ 7.9M	$11.8M	$14.1M	$16.4M
TOTAL COST	**$16.1M**	**$22.0M**	**$26.7M**	**$29.7M**	**$32.8M**

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: There is additional cost as a result of the Special Separation Allowance continuing until the re-employment of the retiree causes suspension of the basis retirement payment, but the actuaries were unable to calculate the additional cost since no data on the re-employed retirees is available.

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 14, 2009

Signed Copy Located in the NCGA Principal Clerk's Offices

buckconsultants
an ACS company

March 25, 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 624

Dear Mr. Vanderweide:

We have received your request of March 17 regarding Senate Bill 624, 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(b19), G.S. 135-5(m), G.S. 128-27(b21), G.S. 128-27(m) and G.S. 143-166.41, adds two new subsections G.S. 135-5(b20) and G.S. 128-27(b22), and effective July 1, 2009, appears to allow a member who is a law enforcement officer in TSERS or LGERS to retire with (i) unreduced service retirement benefits at age 55 after five years of creditable service as a law enforcement officer, or at any age after 25 years of creditable service, or (ii) reduced early retirement benefits at age 50 with 15 years of creditable service as a law enforcement officer, calculated by using a reduction of 1/3 of 1% for each month under age 55, or a reduction of 5% times the difference between 25 years and the members' creditable service at retirement, whichever produces the greater benefit. Additionally, Section 7 of this proposed legislation appears to change the age at which the special separation allowances cease from age 62 to the age at which the member becomes eligible for unreduced Social Security benefits. Finally, Section 8 of this proposed legislation appears to require the Department of State Treasurer to develop and implement a plan for transitioning the payment of the special separation allowance to the Department of State Treasurer. Section 7 of this proposed legislation is effective January 1, 2010 and Section 8 of this proposed legislation is effective when it becomes law. The remainder of this proposed legislation becomes effective July 1, 2009.

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

TSERS Costs

Based on a nine-year liquidation period and the results of the December 31, 2007 valuation of TSERS, a modification to the retirement assumptions to reflect that law enforcement officers would be able to receive unreduced retirement benefits earlier under this proposal, the annual cost to the Retirement System for this legislation is 0.04% 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 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	$ 10,193,000,000	$ 4,077,200
Highway Fund	474,000,000	189,600
Receipts / Other Funds	3,915,000,000	1,566,000
Total	$ 14,582,000,000	$ 5,832,800

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.

LGERS Costs

Based on the results of the December 31, 2007 valuation and a modification to the retirement assumptions to reflect that law enforcement officers would be able to receive unreduced retirement benefits earlier under this proposal, the Unfunded Actuarial Accrued Liability for LGERS would increase by about $146,000,000 and the normal cost would increase by 0.45% of payroll. Assuming that the increase in the Unfunded Actuarial Accrued Liability would be amortized over 24 years for each Local Government Unit employing law enforcement officers, the annual costs to LGERS for this proposed legislation is 1.48% of payroll for the first 24 years and 0.45% of payroll after 24 years.

Based on the LGERS estimated payroll for Law Enforcement Officers of $920,000,000 used for the 2009 Session of the General Assembly, the estimated increase in contributions for this proposed legislation for the 2009 - 2010 fiscal year is $13,616,000.

Our cost estimate for this proposed change is based on the December 31, 2007, valuation 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 contributions for the 2010 - 2011 fiscal year.

Special Separation Allowance

Although there would be no cost to TSERS or LGERS associated with the earlier eligibility for and longer period of payment of the special separation allowances, there would be additional cost to the State or Local Government Units. Based on the assumptions and data used for the December 31, 2007 valuations of TSERS and LGERS, a 10-year projection of the increase in the special separation allowances for this proposed legislation is attached.

This proposed legislation also requires the Department of State Treasurer to develop and implement a plan for transitioning administration of the special separation allowance to the Department of State Treasurer. However, the proposed legislation does not provide enough details to establish the cost. For example, whether the plan should include pre-funding, whether the plan should be different for law enforcement officers in TSERS and LGERS, whether all employers should contribute the same rate, who will pay for the administration of the plan, will annual valuation be prepared and, if pre-funding is used, what assumptions and methods should be used.

Please note that pre-funding the special separation allowances could impact the legal status of the allowances and the taxation of these benefits could change. Prior to any pre-funding, these legal issues and the appropriate funding vehicles to be used need to be reviewed and analyzed.

As a technical note, Section 7 changes the age at which the special separation allowances cease from age 62 to the age at which the member becomes eligible for unreduced Social Security benefits. While we are not aware of any situation where a retired law enforcement officer covered by TSERS or LGERS could retire with no eligibility for Social Security benefits, if such a member exists, the special separation allowance would be paid for the lifetime of such member, even if that period continues beyond age 67.

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/mar

Richard A. Mackesey, F.S.A.
Principal, Consulting Actuary

RAM:km
\NC\COR\90319RM1.DOC

Enclosure

North Carolina Retirement Systems Division

Impact on Special Separation Allowances Payable to Law Enforcement Officers Covered by the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS) Due to Senate Bill 624

	Additional Special Separation Allowances	
Year	TSERS	LGERS
2010	$ 1,024,000	$ 4,474,000
2011	1,460,000	6,128,000
2012	2,259,000	9,286,000
2013	2,977,000	12,216,000
2014	3,622,000	14,935,000
2015	4,067,000	17,499,000
2016	4,532,000	20,154,000
2017	5,099,000	23,015,000
2018	5,701,000	25,273,000
2019	6,341,000	27,452,000
2020	7,198,000	30,306,000

March 25, 2009

buckconsultants
an ACS company

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 9, 2009

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

Re: Senate Bill 624: An Act to Allow Law Enforcement Officers Who Are Members of the TSERS or the LGERS to Retire with Unreduced Benefits After Completing Twenty-Five Years of Service and to Amend the Special Separation Allowance Benefit

Dear Mr. Moore:

This bill amends G.S. 135-5 and G.S. 128-27 to modify the benefit provisions applicable to law enforcement officers in the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS).

Currently, a law enforcement officer in either system may receive an unreduced retirement allowance upon attainment of age 55 and completion of 5 years of service or at any age upon completion of 30 years of service. This act provides that a law enforcement officer may retire with an unreduced allowance upon attainment of age 55 with 5 years of service or at any age with 25 years of service.

In addition, this bill modifies G.S. 143-166.41 to modify provisions for the separation allowance for law enforcement officers. Currently, a law enforcement officer in either the TSERS or LGERS receives a 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 is suspended on the first day of reemployment in certain positions. This bill would make the separation allowance payable upon service retirement after completion of 25 years of service or after attainment of age 55 and completion of 5 years of service, and the allowance would be payable until the officer is eligible for unreduced Social Security benefits. The allowance would cease for any employment that causes suspension of the officer's retirement allowance.

This bill also creates a Special Separation Allowance Fund administered by the Department of State Treasurer. Each agency would contribute funds during the officers' careers to fund the separation allowance.

The changes to the separation allowance are effective January 1, 2010, and the remaining provisions are effective July 1, 2009.

The estimated cost to the TSERS, expressed as a percentage of the total system payroll, is an increase in the normal rate and an increase in the accrued liability rate by a combined 0.04% of

pay. This provides for amortization of the additional unfunded accrued liability over a 9-year period.

The estimated cost to the LGERS is an increase in the normal rate of 0.45% of the payroll of law enforcement officers and an increase in the accrued liability of approximately $140.2 million. The contribution required to amortize this additional unfunded accrued liability over a 24-year period is 1.02% of the payroll of law enforcement officers.

I have projected the additional separation allowances payable over the next ten years due to the proposed changes in the law enforcement officer retirement provisions. The increased allowances are as follows:

Additional Separation Allowances Payable		
Calendar Year	State LEO's	Local LEO's
2010	$ 2,004,799	$ 5,157,744
2011	4,033,065	10,565,393
2012	4,543,894	13,035,858
2013	4,980,639	15,239,982
2014	5,126,657	17,573,289
2015	5,233,023	19,741,049
2016	5,438,747	21,461,940
2017	5,909,560	22,786,210
2018	6,394,726	24,798,347
2019	7,406,230	27,505,248

The bill does not specify parameters for establishing and funding the Special Separation Allowance Fund. Details are needed on funding methods, allocation of costs between entities, amortization periods for accrued liabilities, funding assumptions, and administration. Thus, cost estimates cannot currently be determined.

These estimates are based on the actuarial valuations prepared as of December 31, 2007 and demographic data for law enforcement officers as of December 31, 2007. This data included 3,661 state law enforcement officers and 19,527 local law enforcement officers.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 986*
PROPOSED COMMITTEE SUBSTITUTE S986-CSRO-30 [v.1]

5/5/2009 8:09:18 PM

Short Title: Clarify Local Special Separation Allowance. (Public)

Sponsors:

Referred to:

March 26, 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 officers~~every 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.

Attachment 5

(b) As used in this section, "creditable service" means the service for which credit is allowed under the retirement system of which the officer is a member, provided that at least fifty percent (50%) of the service is as a law enforcement officer as herein defined.

(c) Payment to a retired officer under the provisions of this section shall cease at the first of:

(1) The death of the officer;

(2) The last day of the month in which the officer attains 62 years of age; or

(3) The first day of reemployment by a local government employer in any capacity.

Notwithstanding the provisions of subdivision (3) of this subsection, a local government employer may, in the interest of public safety, voluntarily adopt a policy allowing employment of retired officers on a contractual basis, or in a temporary or reserve capacity not requiring participation in the Local Governmental Employees' Retirement System, without causing the cessation of payment to those officers under this section.

(d) This section does not affect the benefits to which an individual may be entitled from State, local, federal, or private retirement systems. The benefits payable under this section shall not be subject to any increases in salary or retirement allowances that may be authorized by local government employers or for retired employees of local governments.

(e) The governing body of each local employer shall determine the eligibility of employees for the benefits provided herein.

(f) The governing body of each local employer shall make the payments set forth in subsection (a) of this section to those persons certified under subsection (e) of this section from funds available."

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

SENATE BILL 986:
Clarify Local Special Separation Allowance

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	May 5, 2009
Introduced by:	Sen. McKissick	**Prepared by:**	Karen Cochrane-Brown Committee Counsel
Analysis of:	PCS to First Edition S986-CSRO-30		

SUMMARY: Senate Bill 986 amends the law relating to the special separation allowance paid to retired local law enforcement officers.

[As introduced, this bill was identical to H816, as introduced by Reps. Cotham, Dollar, McLawhorn, Weiss, which is currently in House Appropriations.]

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:

Senate Bill 986 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 governing body of the local employer determines eligibility for the benefit and makes payment from available funds.

The PCS deletes Section 2 of the bill which directed 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.

S986-SMRO-67(CSRO-30) v1

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 986 (First Edition)

SHORT TITLE: Clarify Local Special Separation Allowance.

SPONSOR(S): Senator McKissick

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 GOVERMENTS:
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:

	2009-10	2010-11	2011-12	2012-13	2013-14
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

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 557

Short Title:	Remove Restriction/LEO Disability Benefits.	(Public)
Sponsors:	Senators Foriest; Atwater, Hoyle, Malone, McKissick, Snow, and Swindell.	
Referred to:	Pensions & Retirement & Aging.	

March 12, 2009

A BILL TO BE ENTITLED

AN ACT TO REMOVE THE REQUIREMENT THAT LAW ENFORCEMENT OFFICERS HAVE ONE YEAR OF CREDITABLE SERVICE IN ORDER TO QUALIFY FOR DISABILITY RETIREMENT BENEFITS UNDER THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM FOR INJURIES INCURRED IN THE LINE OF DUTY.

The General Assembly of North Carolina enacts:

SECTION 1. 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 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 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.

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 2. This act becomes effective July 1, 2009.

SENATE BILL 557:
Remove Restriction/LEO Disability Benefits

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	April 24, 2009
Introduced by:	Sen. Foriest	**Prepared by:**	Theresa Matula
Analysis of:	First Edition		Committee Staff

SUMMARY: ***Senate Bill 557 amends the Local Governmental Employees' Retirement System (LGERS) law to remove the one year creditable service requirement for qualifying for disability retirement as it pertains to a law enforcement officer, fireman, or rescue squad worker that becomes incapacitated for duty as the result of an incident occurring while in the actual performance of duty.***

[As introduced, this bill was identical to H697, as introduced by Reps. Dickson, Martin, McLawhorn, Wiley, which is currently in House Pensions and Retirement.]

CURRENT LAW:

G.S. 128-27(c) provides the disability retirement benefits for members of the North Carolina Local Government Employees' Retirement System. Most LGERS members must have five or more years of creditable service to qualify for disability benefits. Law enforcement officers, firemen, and rescue squad workers are required to have one year or more of creditable service.

BILL ANALYSIS:

Senate Bill 557 removes the current requirement that law enforcement officers, firemen, or rescue squad workers have one year or more of creditable service in the Local Governmental Employees Retirement System before being eligible for disability benefits.

EFFECTIVE DATE:

Senate Bill 557 would become effective July 1, 2009.

S557-SMSH-83(e1) v1

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 557 (First Edition)

SHORT TITLE: Remove Restriction/LEO Disability Benefits.

SPONSOR(S): Senator Foriest

FUNDS AFFECTED: Local funds

SYSTEM OR PROGRAM AFFECTED: Local Government Employees' Retirement System.

EFFECTIVE DATE: July 1, 2009

BILL SUMMARY: Under present law, general employees of cities and counties must have five years of service in order to qualify for disability benefits. Law enforcement officers, firemen or rescue squad workers have to have one year of membership service in order to qualify for disability retirement occurring while in the actual performance of duty.

This bill will remove the requirement of one year and members would qualify on first day of employment or a disability occurring while in the actual performance of duty.

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:
Both the Retirement System's Actuary, Buck Consultants and the General Assembly's Actuary, Hartman & Associates estimate the cost to be 0.01% of the payroll for all law enforcement officers in the Local Government Employees' Retirement System.

Local Funds	2009-10	2010-11	2011-12	2012-13	2013-14
TOTAL COST	$92,000	$96,480	$101,266	$106,289	$111,561

Both, the Retirement System's Actuary, Buck Consultants and the General Assembly's Actuary, Hartman & Associates agree that the cost for firemen and rescue squad workers would be less that 0.01% of payroll.

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

buckconsultants
an ACS company

March 25, 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 697 / Senate Bill 557

Dear Mr. Vanderweide:

We have received your letter of March 20 regarding House Bill 697, which is equivalent to Senate Bill 557 and which affects the Local Governmental Employees' Retirement System (LGERS).

This proposed legislation amends G.S. 128-27(c) and appears to remove the requirement that a law enforcement officer, fireman, or rescue squad worker, who becomes incapacitated for duty as the result of an accident occurring while in the performance of duty must have one year of creditable service in order to qualify for disability retirement benefits. The effective date of this proposed legislation is July 1, 2009.

Based on the results of the December 31, 2007 valuation, the impact of this proposed legislation on the Unfunded Actuarial Accrued Liability for LGERS would not be material. However, this proposal would increase the normal cost rate. The impact this proposal would have on the LGERS contribution rates for Law Enforcement Officers is as follows.

Law Enforcement Rates	Required Employer Contribution Rate from December 31, 2007 Valuation	Increase in Required Employer Contribution Rate	Required Employer Contribution Rate After Change
Normal Cost	5.27%	0.01% (permanent increase)	5.28%
Accrued Liability	Varies by Local	0.00%	Varies by Local

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

Based on the increase in the contribution rate of 0.01% of payroll for normal cost and the LGERS estimated payroll for Law Enforcement Officers of $920,000,000 used for the 2009 Session of the General Assembly, the cost of this proposed legislation for the 2009-2010 fiscal year is $92,000 for Law Enforcement Officers. The unfunded actuarial accrued liability and contribution rates for General Employees and Firefighters are not materially impacted by this legislation.

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\90320RM1.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 557: An Act to Remove the Requirement that Law Enforcement Officers Have One Year of Service to Qualify for Disability Benefits Under the LGERS for Injuries Incurred in the Line of Duty

Dear Mr. Moore:

This bill amends G.S. 128-27(c) to modify the requirements to qualify for disability retirement benefits in the Local Governmental Employees' Retirement System (LGERS). Currently, all members become eligibility for the disability retirement benefit upon completion of five years of service. The disability benefit is also available to law enforcement officers, firemen, and rescue squad workers incapacitated for duty as the result of an accident occurring in the line of duty, provided the member has at least one year of creditable service.

This bill would remove the requirement that a law enforcement officer, fireman, or rescue squad worker have one year of service for a disability occurring in the line of duty. This act becomes effective July 1, 2009.

Extending this benefit to additional members will create a cost to the LGERS. I estimate the impact to be an increase in the normal contribution rate for law enforcement officers of 0.01% of their payroll. For firemen and rescue squad workers, the cost is less than 0.01% of payroll of general employees.

This estimate is based on the most recent actuarial valuations prepared as of December 31, 2007, which included 25,046 firemen, rescue squad workers, and law enforcement officers, and data provided for 19,257 local law enforcement officers.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — May 6, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Alex Gazaway	NC Police Benevolence Assoc.
David Dunmyre	NC Police Benevolence Assoc.
Debra Bryan	Retirement System
Mickael Williamson	
Greg Myers	NC Police Benevolence Assoc
Angela Jordain	NC PBA
Rickey Padgett	North Carolina Sheriff Police Alliance
Paul Hornbuckle	NORTH CAROLINA SHERIFF POLICE ALLIANCE

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — May 6, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Nalley Cashwell Jr	NC Police Benevolent Assoc
JOHN MIDGETTE	NCPBA
John Moore	NCPBA
Mike Perkins	NC PBA
Lindsay Wygonik	NC PBA
Mark Foreman	NCAFF
Linda Auter	NCAE
David Anders	PFFPNC
Donald Rogowicz	"
Pete Conner	Town of Smithfield
John Douglass	Town of Cary / PD

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — May 6, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kathy Everett-Perry	Durham County
A.C. Pelletier	" "
Jim Blackburn	NC Association of County Commissioners
Leon M Kellin	Nelson Mullins
Rob Black	Teamsters
A Solari	DST.
Mitch Leonard	SEANC
[signature]	FOP
Eddie Caldwell	NC Sheriffs' Assn.
Tom Younce	NC Police Chiefs Assn
Randy Byrd	NC Police Benevolent Assoc

Senate Pensions & Retirement & Aging Committee
Wednesday, May 13, 2009, 12:00 Noon
LOB, Rm 423

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

SB 658	Modify Supplemental Retirement Board.	Senator Atwater
SB 468	Authorize Insurance for Former Employees.	Senator McKissick
SB 740	Reinstatement of Sick Leave/School Employees.	Senator Swindell

Presentations

Other Business

Adjournment

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

PENSIONS & RETIREMENT & AGING COMMITTEE REPORT
Senator Tony Foriest, Chair

Wednesday, May 13, 2009

Senator FORIEST,
submits the following with recommendations as to passage:

FAVORABLE

S.B. **468** Authorize Insurance for Former Employees.
Sequential Referral: None
Recommended Referral: None

S.B.(CS #1) **740** Reinstatement of Sick Leave/School Employees.
Sequential Referral: None
Recommended Referral: None

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL

S.B. **658** Modify Supplemental Retirement Board.
Draft Number: 75261
Sequential Referral: None
Recommended Referral: None
Long Title Amended: No

TOTAL REPORTED: 3

Committee Clerk Comments:

MINUTES

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE
Wednesday, May 13, 2009
12:00 p.m.
Room 423, Legislative Office Building

The Senate Pensions & Retirement & Aging Committee met at 12:00 p.m. on Wednesday, May 13, 2009, in Room 423 of the Legislative Office Building. Thirteen members were present. Fiscal and Research Division staff were present and the Committee Clerk was in attendance. The agenda and visitor registration sheet(s) are attached.

Chairman Foriest called the meeting to order and introduced the pages and sergeant-at-arms staff. The agenda order was slightly changed.

SB 740 – Reinstatement of Sick Leave/School Employees (Attachment 1)

Chairman Foriest introduced Senator Swindell to explain SB 740, an act relating to the reinstatement of unused sick leave for public school employees, which was initially introduced by the late Senator Malone. Senator Swindell indicated that SB 740 directs the State Board of Education to adopt rules allowing three additional months for reinstatement of sick leave for an employee on who was on a 10-month contract at the time of separation and returns to employment on a 10-month contract.

There were questions and comments regarding sick day usage, school personnel, and number of months for reinstatement. Stanley Moore of the Fiscal Research Division explained that a fiscal note was done on the House version of the bill (HB 482) and there was no estimate available as to cost. Marge Foreman of the NC Association of Educators addressed the Committee with stats from the Department of Public Instruction relating to people coming back to the school after a gap in employment. Senator Bingham motioned for a favorable report of SB 740. The motion was carried.

SB 658 – Modify Supplemental Retirement Board (Attachment 2)

Chairman Foriest introduced Senator Atwater to explain SB 658, an act to modify the membership of the Supplemental Retirement Board of Trustees. Senator Atwater motioned to accept the accompanying PCS for consideration. The motion was carried. Senator Atwater explained that SB 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. He noted that the bill meets approval of the State Treasurer and Governor's Office. The PCS clarifies that the appointee must be a retired state or local governmental employee.

Senator Stevens motioned for a favorable report – unfavorable as to original bill, favorable adoption of the PCS. The motion was carried.

SB 468 – Authorize Insurance for Former Employees (Attachment 3)

Chairman Foriest introduced Senator McKissick to explain SB 468, an act to authorize certain counties to provide health insurance benefits to former officers and employees who are not receiving retirement benefits. He noted that the bill is an enabling authority that does not require employers to

provide insurance. Senator McKissick further indicated that SB 468 is now a public bill that includes 19 counties who wish to come on board. He noted there is an amendment to include Forsyth County. There is also any amendment to exempt any counties from participating if they are a part of the State Health Plan. Senator Garrou motioned to wave the rule of sending out the PCS on the day of the Committee meeting and for consideration of the accompanying PCS. The motion was carried.

Chairman Foriest recognized the work of the Subcommittee set up to review SB 468. He thanked Senators Nesbitt, Bingham, and East for their involvement with the Subcommittee. Senator Nesbitt addressed the Committee indicating that the Subcommittee reviewed the bill and have determined that there is absolutely no constitutional, financial, or any other basis not to do it. He further noted that a county may decide, for political or other reasons, to not provide for unsalaried employees. Senator Nesbitt indicated there were no findings of the bill having any adverse impact on the State, the Retirement System, or anything else. He noted that the original form of the bill is a public bill that gives every county an opportunity to participate. Stanley Moore explained that if the PCS is passed, each time a county wishes to participate, it would have to appear before the NCGA and have a bill passed to allow participation. Senator McKissick indicated this was how the bill was originally intended. He also reiterated that the Attorney General's office had addressed the issue of requiring non-compliant counties become compliant.

Senator Stevens motioned to reconsider the previous motion regarding the PCS. The motion was carried. Senator Atwater motioned to amend the bill to restrict any use of the State Health Plan as being one of the choices for local government(s). Senator Stevens proposed an amendment stating, "that this act does not apply to any county that has elected to and is covering its active employees only, or its active employees and retirees, under the State Health Plan as of the effective date of this act, or that elects such coverage under the Plan on and after that date."

There was further discussion on providing health coverage to county commissioners and adding clarifying language regarding the State Health Plan. Senator Stevens motioned to withdraw his amendment and offer a floor amendment at the appropriate time. Senator McKissick concurred. Chairman Foriest indicated that the present action was to go ahead with SB 468, in its original form, and once reaching the floor, an amendment with correct language would be offered. Senator Dorsett motioned for a favorable report of SB 468. The motion was carried.

The meeting was adjourned at 12:38 p.m.

Senator Anthony Foriest, Chair Presiding

Jacqueline F. Ray, Committee Clerk

(NOTE: Minutes were assembled for library use after the Presiding Chair left office and vacated the NCGA.)

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 2

SENATE BILL 740
Education/Higher Education Committee Substitute Adopted 4/8/09

Short Title: Reinstatement of Sick Leave/School Emp'ees. (Public)

Sponsors:

Referred to:

March 24, 2009

A BILL TO BE ENTITLED

AN ACT RELATING TO THE REINSTATEMENT OF UNUSED SICK LEAVE FOR PUBLIC SCHOOL EMPLOYEES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 115C-336 is amended by adding a new subsection to read:

"(d) The State Board of Education shall adopt rules relating to the reinstatement of unused sick leave when an employee who was employed on a 10-month contract at the time of separation returns to employment on a 10-month contract. Under these rules, the maximum period of separation after which unused sick leave is reinstated shall be three calendar months longer for school personnel employed on a 10-month contract than for school personnel employed on a 12-month contract."

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

Attachment 1

SENATE BILL 740:
Reinstatement of Sick Leave/School Emp'ees

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	May 12, 2009
Introduced by:	Sen. Malone	**Prepared by:**	Theresa Matula
Analysis of:	Second Edition		Committee Staff

SUMMARY: Senate Bill 740 directs the State Board of Education to adopt rules allowing three additional months for reinstatement of sick leave for an employee on who was on a 10-month contract at the time of separation and returns to employment on a 10-month contract.

[As introduced, this bill was identical to H482, as introduced by Reps. Cotham, Wiley, Jeffus, Lucas, which is currently in House Education, if favorable, Appropriations.]

CURRENT LAW:

- G.S. 115C-336 provides a minimum of five days of sick leave per school term for all public school employees.
- Sick leave may be accumulated indefinitely. Accumulated sick leave counts as creditable service towards retirement. One month of credit is allowed for each 20 days of unused sick leave upon retirement. One more month is allowed for any part of 20 days left over.
- From the date that an employee resigns or moves to a temporary position, the sick leave balance is retained for 5 years or 60 months. If the employee is re-employed or retires within the 60-month period then the sick leave balance is reinstated. After 60 months, the sick leave balance is not reinstated.

BILL ANALYSIS:

Senate Bill 740 requires the State Board of Education to adopt rules regarding the reinstatement of unused sick leave when an employee on a 10-month contract at the time of separation returns to employment on a 10-month contract. The rules must allow for a separation period that is three months longer for school personnel on a 10-month contract than for school personnel on a 12-month contract.

EFFECTIVE DATE:

Senate Bill 740 would become effective July 1, 2009.

Sara Kamprath contributed to this summary.

S740-SMSH-120(e2) v3

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 658

Short Title:	Modify Supplemental Retirement Board.	(Public)
Sponsors:	Senator Atwater.	
Referred to:	Pensions & Retirement & Aging.	

March 19, 2009

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE MEMBERSHIP OF THE SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-96 reads as rewritten:

"**§ 135-96. Supplemental Retirement Board of Trustees.**

(a) The Supplemental Retirement Board of Trustees is established to administer the Supplemental Retirement Income Plan established under the provisions of this Article and the North Carolina Public Employee Deferred Compensation Plan established under G.S. 143B-426.24.

(b) The Board consists of nine voting members, as follows:

(1) Six persons appointed by the Governor who have experience in finance and investments, one of whom shall be a State ~~employee;~~ employee and one of whom shall be a retired governmental employee;

(2) One person appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives;

(3) One person appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate; and

(4) The State Treasurer, ex officio, who shall be the Chair.

(c) The initial appointments by the General Assembly and two of the Governor's initial appointments shall be for one-year terms. The remainder of the initial appointments shall be for two-year terms. At the expiration of these initial terms, appointments shall be for two years and shall be made by the appointing authorities designated in subsection (b) of this section. A member shall continue to serve until the member's successor is duly appointed, but a holdover under this provision does not affect the expiration date of the succeeding term. No member of the Board may serve more than three consecutive two-year terms.

(d) Other than ex officio members, members appointed by the Governor shall serve at the Governor's pleasure. An ex officio member may designate in writing, filed with the Board, any employee of the member's department to act at any meeting of the Board from which the member is absent, to the same extent that the member could act if present in person at such meeting."

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

Attachment 2

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 658
PROPOSED COMMITTEE SUBSTITUTE S658-CSRO-45 [v.1]

5/12/2009 5:53:25 PM

Short Title: Modify Supplemental Retirement Board. (Public)

Sponsors:

Referred to:

March 19, 2009

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE MEMBERSHIP OF THE SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-96 reads as rewritten:

"**§ 135-96. Supplemental Retirement Board of Trustees.**

(a) The Supplemental Retirement Board of Trustees is established to administer the Supplemental Retirement Income Plan established under the provisions of this Article and the North Carolina Public Employee Deferred Compensation Plan established under G.S. 143B-426.24.

(b) The Board consists of nine voting members, as follows:

(1) Six persons appointed by the Governor who have experience in finance and investments, one of whom shall be a State ~~employee;~~ employee and one of whom shall be a retired state or local governmental employee;

(2) One person appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives;

(3) One person appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate; and

(4) The State Treasurer, ex officio, who shall be the Chair.

(c) The initial appointments by the General Assembly and two of the Governor's initial appointments shall be for one-year terms. The remainder of the initial appointments shall be for two-year terms. At the expiration of these initial terms, appointments shall be for two years and shall be made by the appointing authorities designated in subsection (b) of this section. A member shall continue to serve until the member's successor is duly appointed, but a holdover under this provision does not affect the expiration date of the succeeding term. No member of the Board may serve more than three consecutive two-year terms.

(d) Other than ex officio members, members appointed by the Governor shall serve at the Governor's pleasure. An ex officio member may designate in writing, filed with the Board, any employee of the member's department to act at any meeting of the Board from which the member is absent, to the same extent that the member could act if present in person at such meeting."

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

SENATE BILL 658:
Modify Supplemental Retirement Board

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	May 12, 2009
Introduced by:	Sen. Atwater	**Prepared by:**	Karen Cochrane-Brown
Analysis of:	PCS to First Edition S658-CSRO-45		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 clarifies that the appointee must be a retired state or local governmental employee.

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.

EFFECTIVE DATE: This act becomes effective July 1, 2009.

S658-SMRO-96(CSRO-45) v1

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 468

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.~~county. 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. This act is effective when it becomes law.

Attachment 3

SENATE BILL 468:
Authorize Insurance for Former Employees

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	May 13, 2009
Introduced by:	Sen. McKissick	**Prepared by:**	Theresa Matula
Analysis of:	PCS to First Edition S468-CSSH-44		Committee Staff

SUMMARY: ***The Proposed Committee Substitute for 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 entirely 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:

The PCS for Senate Bill 468 amends G.S. 153A-93(d) to authorize certain 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.

This PCS applies to the following counties: Alleghany, Buncombe, Duplin, Durham, Franklin, Granville, Hoke, Johnston, Martin, Orange, Pitt, Randolph, Sampson, Surry, Vance, Warren, Wake, and Wilkes.

EFFECTIVE DATE:

Senate Bill 468 would become effective when it becomes law.

S468-SMSH-121(CSSH-44) v1

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — May 13, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Larry Pearrell, Jr.	N.C. Retired School Personnel
Jack Cozart	Wumble
Jim Blackburn	NC Association of County Commissioners
[illegible]	Durham Co.
Kathy Everett-Perry	Durham County
Deborah Craig-Ray	Durham County
Ed Regan	NCRGEA
A Sobari	DST
Suzanne Beasley Malysz	SEA NC
[illegible]	SEANC
Margo Foreman	NCAE

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — May 13, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Patrick T. Buffkin	NMRS
Michael Williamson	ND PST
Allan Beckmann	NCDST
Chris Jones	NCDST
David Starling	NCDST
David Vanderweide	NCDST
Jane Cole	Forsyth County

Senate Pensions & Retirement & Aging Committee
Wednesday, May 20, 2009, 12:00 Noon
LOB, Rm 423

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Presentations

Overview of Aging in North Carolina	Theresa Matula, Committee Staff Dennis Streets, Director, Division of Aging and Adult Services

Other Business

Adjournment

MINUTES

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE
Wednesday, May 20, 2009
12:00 p.m.
Room 423, Legislative Office Building

The Senate Pensions & Retirement & Aging Committee met at 12:00 p.m. on Wednesday, May 20, 2009, in Room 423 of the Legislative Office Building. Five members were present. Fiscal and Research Division staff were present and the Committee Clerk was in attendance. The agenda and visitor registration sheet(s) are attached.

Chairman Foriest called the meeting to order and introduced the pages and sergeant-at-arms staff. He indicated that he had asked the staff to prepare information relating to aging NC for review and discussion today.

Presentation – Overview of Aging in North Carolina

Chairman Foriest introduced Theresa Matula of the NC General Assembly's Research Division, who addressed the Committee regarding aging and adult services. She prepared a handout, Older Adults in NC: An Overview, which focused on the following (Attachment 1):

- Who are the older adults?
- How many older adults are there?
- Where older adults live?
- What types of programs and services are available for older adults?

Ms. Matula noted the range of older adults in NC who are active, retired, employed, receiving care, living in their communities and/or in long-term care settings, have relocated to NC, etc. She indicated as we move to the year 2030, and the logic is that services, programs and public funding follow the population growth, we can expect to see an increase in the capacity in NC for services for older adults aged 65+. The heaviest concentrations of older adults in NC live in the mountain and northeastern coastal counties. The greatest growth (over 200%) of older adults from 2000 to 2030 is projected to occur in Union, Wake, Johnston, Moore, Brunswick, Dare, Camden, and Currituck counties. It is projected that by 2030, 74 of NC's 100 counties will have more persons 60 years of age and older than will have persons 17 years of age and younger. There are many programs and services that support older adults including daycare, assisted living, in-home programs, retirement communities, nursing homes, Medicare, Medicaid, community alternative programs, etc.

The NC Study Commission on Aging (Attachment 2) was created to study and evaluate the existing system of delivery of State services to older adults and to recommend an improved system of delivery to meet the present and future needs of older adults. This Commission meets on a regular basis and reports its findings to the General Assembly and the Governor. A reference was made to the 2009 Study Commission on Aging Recommendations (Attachment 3).

Dennis Streets, Director, Division of Aging and Adult Services (DAAS), NC Department of Health and Human Services (DHHS), addressed the Committee giving an overview of the DAAS and Aging in NC (Attachment 4). The DAAS was established as the State unit on aging supporting and serving

NC's seniors, adults with disabilities, and caregivers in their efforts to live with independence, dignity, and choice. The DAAS works with 17 area agencies on aging, works very closely with all 100 county-wide Department of Social Services, and works with approximately 250 providers on various home/health services. The DAAS partners with other agencies including the NC Justice Academy (law enforcement training for alleged crimes against older populations), the NC Attorney General's Office (consumer fraud issues), the Division of Public Health, and the UNC Institute on Aging. The Project CARE Program (**C**aregiver **A**lternatives to **R**unning on **E**mpty) is designed to provide consumer-directed respite care and comprehensive support to caregivers. The Program is available, in some form, in 18 counties.

Mr. Streets indicated that the handout provided contained various websites for resources related to the older population. The DAAS' website is www.ncdhhs.gov/aging. It was also noted that Governor Beverly Purdue had proclaimed the month of May as Older American's Month.

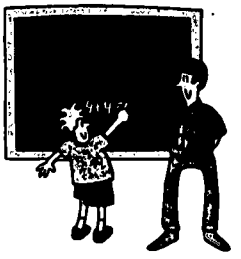
Chairman Foriest thanked the presenters for their presentations. There was a brief question and answer session related to aging demographics, services, support, workforce trends, and economic challenges. Mr. Street indicated that the DAAS had submitted an aging report to the NCGA in February and would be glad to follow up with the Committee.

The meeting was adjourned at 12:35 p.m.

Senator Anthony Foriest, Chair Presiding

Jacqueline F. Ray, Committee Clerk

(NOTE: Minutes were assembled for library use after the Presiding Chair left office and vacated the NCGA.)



Older Adults in North Carolina: An Overview

Theresa Matula, Staff, Senate Pensions, Retirement & Aging

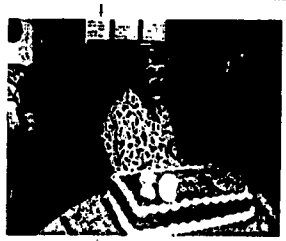
N.C.'s Older Adults

Who? How? Where? What?

- Who Are They?
- How Many Are There?
- Where Do They Live?
- What Types of Programs and Services are Available in NC?

Attachment 1

Who Are They?



Older Adults Are…

Snapshot of Older Adults in NC

(Source: NC DHHS Division of Aging and Adult Services, Year 2000)

28.3% of persons age 65+ live alone

54.3% of persons age 65+ living in community have 0 disabilities
20.6% of persons age 65+ living in community have 1 disability
25.1% of persons age 65+ living in community have 2 or more disabilities

14.5% of persons age 18-44 care for adult 60+
23.8% of persons age 45-64 care for adult 60+
15.7% of persons age 65+ care for adult 60+

42.2 per 1000 persons age 65+ are in a nursing home
36.5 per 1000 persons age 65+ are in an adult care home

$28,521 median household income for age group 65-74
$19,303 median household income for age group 75+

10.5% of persons age 65 -74 are below poverty
16.9% of persons age 75+ are below poverty

3.5% of persons 65+ are in the labor force

How Many Are There?

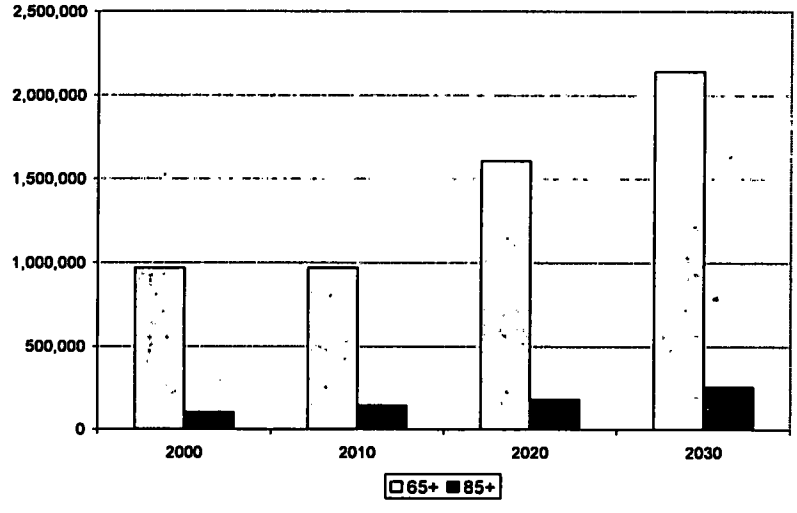
North Carolina's Older Adult Population Is Growing

Factors:

- **Baby Boomers (1946-1964)**
- **Migration – North Carolina is a popular retirement destination**
- **Increasing Life Expectancy**

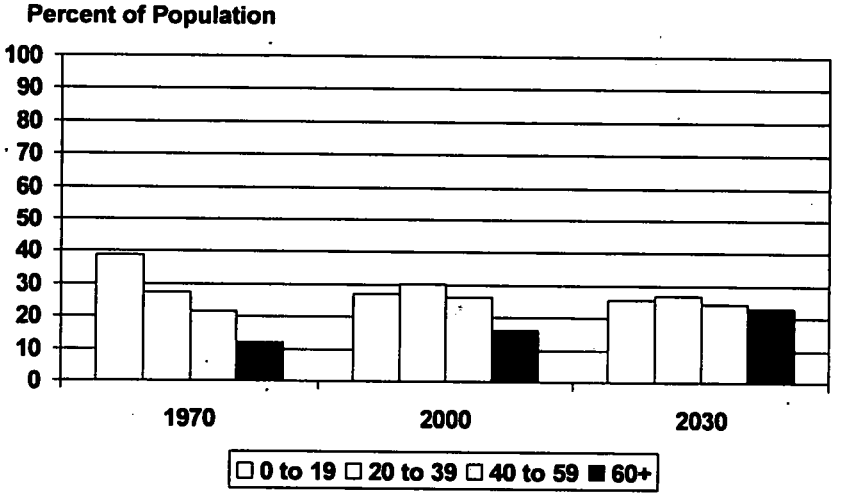
Projected Growth of Older North Carolinians 65+ and 85+

(Source: NC DHHS Division of Aging and Adult Services and UNC)



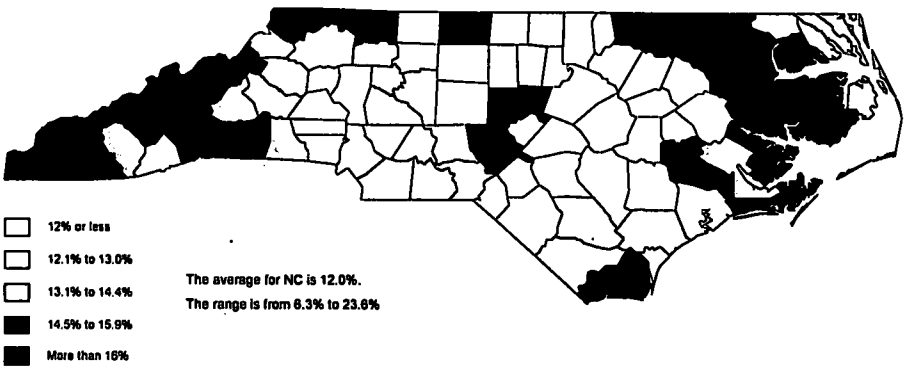
NC Population by Age Group 1970 to 2030

(Source: NC DHHS Division of Aging and Adult Services and UNC)



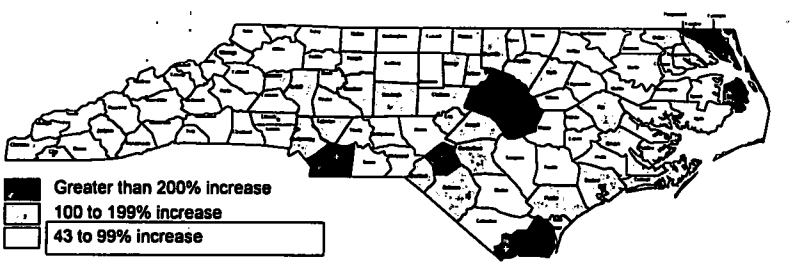
Where Do They Live?

Percent of Population Age 65+ in North Carolina, Year 2000



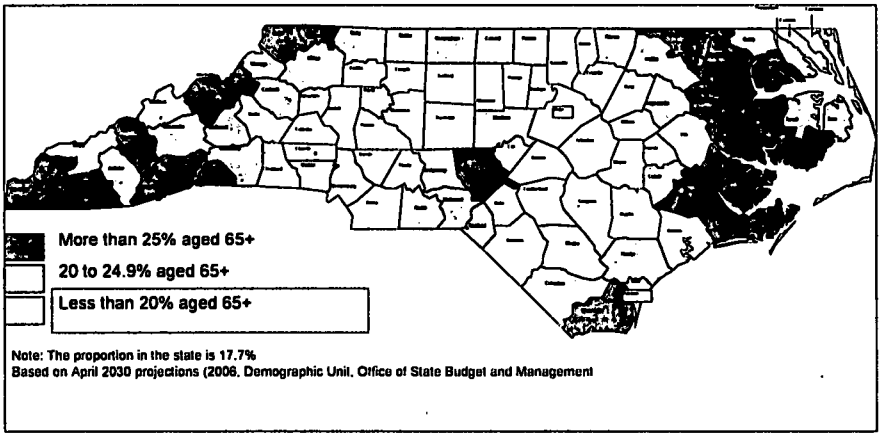
Projected Growth of 65+ Population from 2000 to 2030

Figure B. Projected Growth of Population Ages 65 and Older from 2000 to 2030



Based on 2000 Census counts (www.census.gov) and April 2030 projections (2008, Demographic Unit, Office of State Budget and Management

Percent of County Population Projected to Be Age 65+ in 2030



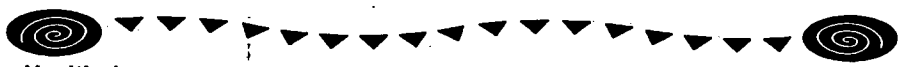
Note: The proportion in the state is 17.7%
Based on April 2030 projections (2008, Demographic Unit, Office of State Budget and Management

What Types of Programs and Services are Available in NC?

Overview of Types of Programs and Services

- There are **many programs and services that support older adults** whether they are active, live in their home with services, or live in a long-term care facility.

Range of Services and Programs



Healthy/ Active

End of Life Care

Senior Games **Senior Centers** **Adult Day Care**

Assisted Living (Adult Care Homes, Multiunit Assisted Housing with Services)

Continuing Care Retirement Communities

Nursing Homes

Medicare/Medicaid **State/County Special Assistance**

Home and Community Care Block Grants

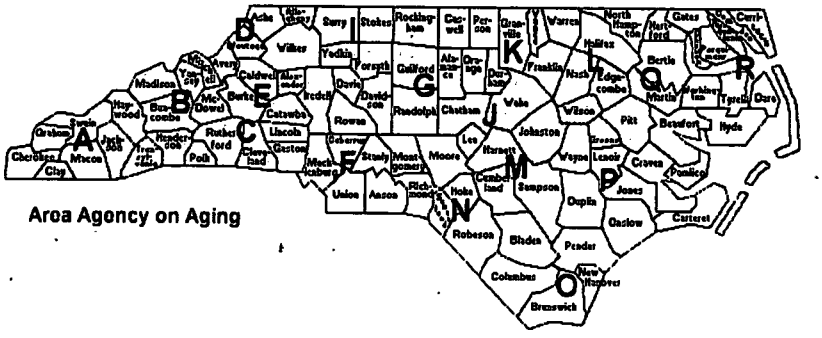
State/County Special Assistance In-Home Program

Community Alternatives Program for Disabled Adults (CAP/DA)

Additional Information and Resources

Area Agencies on Aging

Located in the regional Councils of Government. AAAs have functions in five basic areas: (1) advocacy; (2) planning; (3) program and resource development; (4) information brokerage; and (5) funds administration and quality assurance.



Aroa Agoncy on Aging

Department of Health and Human Services

- **Office of Long-Term Services and Supports**
  Maria Foxx Spaulding, Deputy Secretary for Long-Term Care and Family Services
- **Division of Aging and Adult Services**
  Dennis Streets, Director
- **Division of Health Service Regulation**
  Jeff Horton, Director (Acting)
- **Division of Medical Assistance**
  Craigan L. Gray, MD, MBA, JD, Director

ARTICLE 21.
The North Carolina Study Commission on Aging.

Sec.
120-180. Commission; creation.
120-181. Commission; duties.
120-182. Commission; membership.
120-183. Commission; meetings.
120-184. Commission; reimbursement.
120-185. Commission; public hearings.
120-186. Commission; authority.
120-186.1. Commission; Alzheimer's Subcommittee, Long-Term Care Subcommittee, and other subcommittees.
120-187. Commission; reports.
120-188. Commission; staff; meeting place.

§ 120-180. Commission; creation.

The North Carolina Study Commission on Aging is created to study and evaluate the existing system of delivery of State services to older adults and to recommend an improved system of delivery to meet the present and future needs of older adults. This study shall be a continuing one and the evaluation ongoing, as the population of older citizens grows and as old problems faced by older citizens magnify and are augmented by new problems.

§ 120-181. Commission; duties.

The Commission shall study the issues of availability and accessibility of health, mental health, social, and other services needed by older adults. In making this study the Commission shall:
(1) Study the needs of older adults in North Carolina;
(2) Assess the current status of the adequacy and of the delivery of health, mental health, social, and other services to older adults;
(3) Collect current and long range data on the older adult population and disseminate this data on an ongoing basis to agencies and organizations that are concerned with the needs of older adults;
(4) Develop a comprehensive data base relating to older adults, which may be used to facilitate both short and long range agency planning for services for older adults and for delivery of these services;
(5) Document and review requests of federal, State, regional, and local governments for legislation or appropriations for services for older adults, and make recommendations after review;
(6) Evaluate long-term health care and its non-institutional alternatives;
(7) Propose a plan for the development and delivery of State services for older adults that, if implemented, would, over 10 years, result in a comprehensive, cost-effective system of services for older adults;
(8) Study all issues and aspects of gerontological concerns and problems, including but not limited to Alzheimer's Disease; and
(9) Carry out any other evaluations the Commission considers necessary to perform its mandate.
History

§ 120-182. Commission; membership.

The Commission shall consist of 17 members, as follows:
(1) The Secretary of the Department of Health and Human Services or his delegate shall serve ex officio as a non-voting member;
(2) Eight shall be appointed by the Speaker of the House of Representatives, five being members of the House of Representatives at the time of their appointment, and at least two being planners for or providers of health, mental health, or social services to older adults; and
(3) Eight shall be appointed by the President Pro Tempore of the Senate, five being members of the Senate at the time of their appointment, and at least two being planners for or providers of health, mental health, or social services to older adults.

Attachment 2

Any vacancy shall be filled by the appointing authority who made the initial appointment and by a person having the same qualifications. All initial appointments shall be made within one calendar month from the effective date of this Article. Members' terms shall last for two years. Members may be reappointed for two consecutive terms and may be appointed again after having been off the Commission for two years.

§ 120-183. Commission; meetings.

The Commission shall have its initial meeting no later than October 1, 1987, at the call of the President of the Senate and Speaker of the House. The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall appoint a cochairman each from the membership of the Commission. The Commission shall meet upon the call of the cochairmen.

§ 120-184. Commission; reimbursement.

The Commission members shall receive no salary as a result of serving on the Commission but shall receive necessary subsistence and travel expenses in accordance with the provisions of G.S. 120-3.1, G.S. 138-5 and G.S. 138-6, as applicable.

§ 120-185. Commission; public hearings.

The Commission may hold public meetings across the State to solicit public input with respect to the issues of aging in North Carolina.

§ 120-186. Commission; authority.

The Commission has the authority to obtain information and data from all State officers, agents, agencies and departments, while in discharge of its duties, pursuant to the provisions of G.S. 120-19, as if it were a committee of the General Assembly. The Commission shall also have the authority to call witnesses, compel testimony relevant to any matter properly before the Commission, and subpoena records and documents, provided that any patient record shall have patient identifying information removed. The provisions of G.S. 120-19.1 through G.S. 120-19.4 shall apply to the proceedings of the Commission as if it were a joint committee of the General Assembly. In addition to the other signatures required for the issuance of a subpoena under this section, the subpoena shall also be signed by the cochairmen of the Commission. Any cost of providing information to the Commission not covered by G.S. 120-19.3 may be reimbursed by the Commission from funds appropriated to it for its continuing study.

§ 120-186.1. Commission; Alzheimer's Subcommittee, Long-Term Care Subcommittee, and other subcommittees.

(a) The Commission cochairs shall appoint subcommittees as needed to assist with the completion of the work of the Commission. These subcommittees may include an Alzheimer's Subcommittee, a Long-Term Care Subcommittee, or other special subject subcommittees. The cochairs shall appoint as members of any subcommittee not more than four Commission members and at least four but no more than eight non-Commission members.
(b) The Commission cochairs shall prescribe the duties of any subcommittee created. Duties of the Alzheimer's Subcommittee may include conducting studies on the availability and efficacy of currently existing geriatric or memory disorder services and programs, advising the Commission on matters regarding Alzheimer's services and programs, and recommending to the Commission solutions to related problems. Duties of the Long-Term Care Subcommittee may include developing a long-term care policy for the State that has at least the following elements:
(1) Promotes elder independence, choice, and dignity;
(2) Provides a seamless, uniform system of flexible and responsive services;
(3) Provides single-entry access;
(4) Includes a wide range of home and community-based services available to all elderly who need them but targeted primarily to the most frail, needy elderly;

(5) Provides care and services at the least expense in the least confusing manner and based on the desires of the elder population and their families;
(6) Expands Medicaid income eligibility to allow more services in the home and community;
(7) Creates a single agency and budget stream to administer services to the elderly; and
(8) Approaches long-term care within the context of the entire health care system.

§ 120-187. Commission; reports.

The Commission shall report to the General Assembly and the Governor the results of its study and recommendations. A written report shall be submitted to each biennial session of the General Assembly at its convening.

§ 120-188. Commission; staff; meeting place.

The Commission may contract for clerical or professional staff or for any other services it may require in the course of its on-going study. At the request of the Commission, the Legislative Services Commission may supply members of the staff of the Legislative Services Office and clerical assistance to the Commission as the Legislative Services Commission considers appropriate.
The Commission may, with the approval of the Legislative Services Commission, meet in the State Legislative Building or the Legislative Office Building.

2009
Study Commission on Aging
Recommendation Status
5/19/09

Bill & Status	COA Recommendations
HB 143 – S. Health Care **SB 193 – S. Health Care**	**Recommendation 1: Strengthen Disaster Planning for Long-Term Care Facilities** In response to the Disability and Elderly Emergency Management (DEEM) Task Force recommendations, the Study Commission on Aging recommends that the General Assembly direct the Division of Health Service Regulation, Department of Health and Human Services, to review the DEEM recommendations, take appropriate action to strengthen disaster planning and disaster preparedness for long-term care facilities, and to report to the Study Commission on Aging and the Joint Select Committee on Emergency Preparedness and Disaster Management Recovery, on or before March 1, 2010.
HB 142 – H. Appropriations **SB 185 – S. Appropriations**	**Recommendation 2: Additional HCCBG funds** The Study Commission on Aging recommends that the General Assembly appropriate an additional $2,500,000 for both FY 2009-2010 and FY 2010-2011 to the Division of Aging and Adult Services, Department of Health and Human Services, for the Home and Community Care Block Grant (HCCBG).
HB 141 – H. Appropriations **SB 191 – S. Appropriations**	**Recommendation 3: Senior Center Funding** The Study Commission on Aging recommends that the General Assembly appropriate an additional $750,000 for both FY 2009-2010 and FY 2010-2011 to the Division of Aging and Adult Services, Department of Health and Human Services for certified senior centers.
HB 146 – H. Appropriations **SB 189 – S. Appropriations**	**Recommendation 4: Adult Protective Services Pilot Program** The Study Commission on Aging recommends that the General Assembly appropriate $2,208,763 for FY 2009-2010 and $2,162,409 for FY 2010-2011 to the Division of Aging and Adult Services, Department of Health and Human Services, to fund a two-year pilot program to assess proposed changes to the adult protective services statutes, and require the Division to make an interim report in April 2010, and a final report on the evaluation of the pilot by October 1, 2011.
HB 144 – S. Health Care **SB 188 – H. Aging**	**Recommendation 5(b): Special Care Dentistry Collaboration** The Study Commission on Aging recommends that the General Assembly direct the Division of Medical Assistance, Division of Public Health, and the Division of Aging and Adult Services, Department of Health and Human Services, to collaborate with the UNC and ECU Schools of Dentistry, the North Carolina Dental Society, and current special care providers to examine the limited dental care options for special care populations and to make recommendations for improvement to the Study Commission on Aging and the Public Health Study Commission on or before February 1, 2010.

Attachment 3

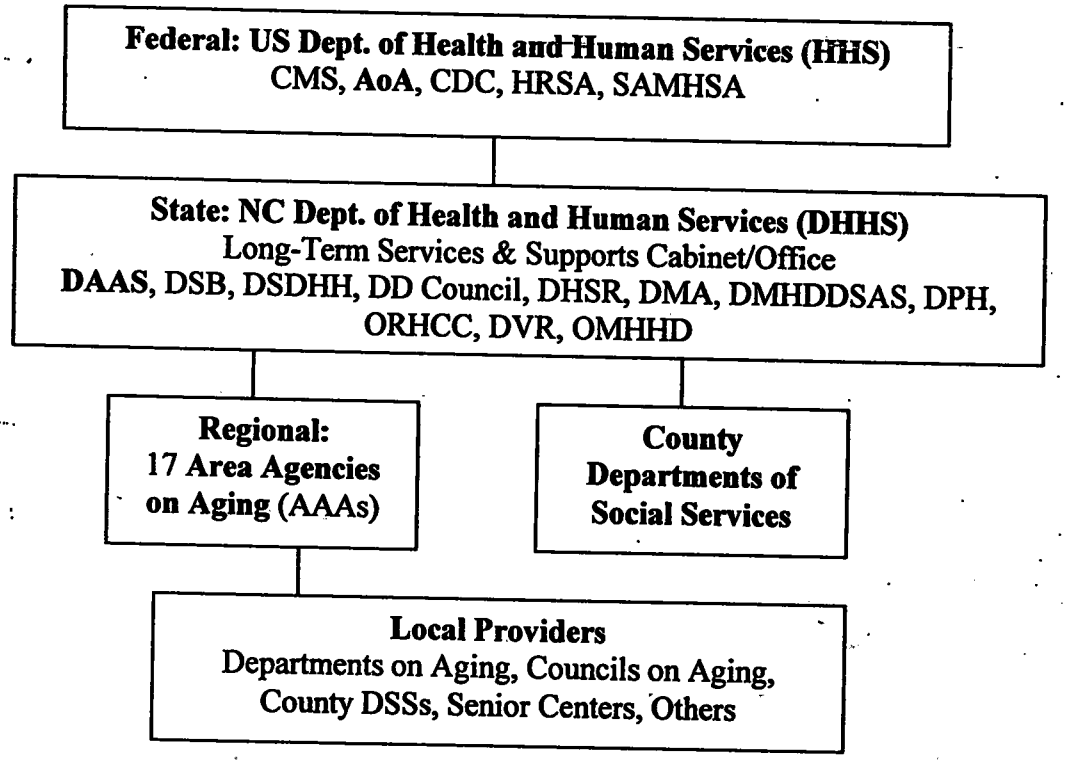
Bill & Status	COA Recommendations
HB 139 – H. Appropriations **SB 187 – S. Appropriations**	**Recommendation 5(c): Dentistry Funds for Special Care Populations** The Study Commission on Aging recommends that the General Assembly appropriate $200,000 for both FY 2009-2010 and FY 2010-2011, to the Division of Public Health, Department of Health and Human Services, to purchase an additional mobile dental unit in each fiscal year for a new or existing non-profit mobile dental care provider who must operate the mobile dental unit to serve special care populations, the frail elderly, and developmentally disabled, in geographic areas of the State that are not currently served by mobile dental units.
HB 138 – H. Appropriations **SB 194 – S. Appropriations**	**Recommendation 6: Adult Day Care Reimbursement Rate Increase** The Study Commission on Aging recommends that the General Assembly appropriate an additional $1,059,561 for both FY 2009-2010 and FY 2010-2011, to the Division of Aging and Adult Services, Department of Health and Human Services to provide a $5.00 per day rate increase for adult day care and adult day health care.
HB 145 – H. Appropriations **SB 190 – S. Appropriations**	**Recommendation 7: Funds for Project C.A.R.E** The Study Commission on Aging recommends that the General Assembly appropriate $500,000 for both FY 2009-2010 and FY 2010-2011, to the Division of Aging and Adult Services, Department of Health and Human Services, to fund Project C.A.R.E. with the intent that this funding shall become part of the continuation budget.
HB 273 – H. Aging **SB 195 – H. Education**	**Recommendation 8: Preparing for Increased Numbers of Older Adults** The Study Commission on Aging recommends that the UNC Institute on Aging and the Division of Aging and Adult Services, Department of Health and Human Services, take a leadership role in helping North Carolina prepare for increased numbers of older adults by: 1) organizing and facilitating meetings of gerontologists, researchers, county representatives, directors of Area Agencies on Aging, and providers of State services, to collectively identify and prioritize issues the State needs to address; and 2) working with the Association of County Commissioners, the UNC School of Government, higher education departments of municipal and regional planning and their partners, and Area Agencies on Aging to establish a website containing: a) information on fostering retiree and volunteer involvement, and b) models of local planning efforts, in order to assist municipalities in addressing accessibility and service delivery for increasing numbers of older adults. The Institute on Aging and the Division of Aging and Adult Services shall make progress reports to the Governor and the Study Commission on Aging on or before March 1, 2010, and on or before November 1, 2010.

Bill & Status	COA Recommendations
HB 147 – H. Health **SB 196 – S. Health Care** **(Neither House or Senate bill has crossed over.)**	**Recommendation 9: Adult Care Home Mixed Population Workgroup** The Study Commission on Aging recommends that the General Assembly direct the Division of Health Service Regulation, the Division of Medical Assistance, and the Division of Aging and Adult Services, Department of Health and Human Services, to assemble a workgroup of adult care home specialists and long-term care ombudsmen that work with adult care homes serving significant populations of both mentally ill residents and the frail elderly, to develop short-term and long-term strategies for improving the quality of care for all residents, and to make recommendations to the Study Commission on Aging and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services on or before August 1, 2010.
HB 140 – H. Aging **SB 192 – S. Health Care** (This bill is no longer needed, the program and funding were eliminated with Governor's budget cuts.)	**Recommendation 10: Adult Care Home Quality Improvement Pilot Program on Medication Safety** The Study Commission on Aging recommends that the General Assembly direct the Division of Aging and Adult Services, Department of Health and Human Services, for FY 2009-2010 and FY 2010-2011, to use the recurring funding associated with the Adult Care Home Quality Improvement Program to accomplish the following: 1) a post pilot analysis to determine whether medication safety is sustained after the initial phases of the medication safety pilot program and to develop findings on what fosters or prohibits sustained improvements; 2) utilization of the lessons learned from this medication safety pilot to deliver medication safety training sessions, train the trainer programs, or online training in adult care homes that did not participate in the pilot program; 3) evaluation of the effectiveness of this training; and 4) an interim report to the Study Commission on Aging on or before February 1, 2010, with a final report due on or before October 1, 2010.

Overview of Division of Aging and Adult Services (DAAS) and Aging in North Carolina

Background

- Older Americans Act of 1965 calls for designated State Units on Aging
- *Division of Aging (DOA)* established in 1977
- General Assembly required State Plan in 1991
- General Assembly established Home & Community Care Block Grant in 1992
- DHHS transferred adult day services and in-home aide administration from Division of Social Services to DOA in 1998
- Merger of aging and adult services in September 2003
- Name change in February 2004



DAAS Organizational Structure

Adult Services: Oversees adult services primarily administered through county departments of social services, including adult protective services, guardianship, state/county special assistance (residential and in-home option), at-risk (targeted) case management, adult care home case management, and other programs and services.

Elder Rights: Coordinates Long-Term Care Ombudsman Program and Senior Community Service Employment Program, oversees legal services for elderly,

Attachment 4

and facilitates NC's Senior Consumer Fraud Task Force and other special initiatives including Project S.A.F.E. (Strategic Alliances for Elders in Long Term Care) and the Victims Assistance Program.

Service Operations: Oversees wide range of home and community services, including home-delivered and congregate meals, in-home aide, adult day services, transportation, and senior centers; coordinates activities for Alzheimer's disease assistance, including Project C.A.R.E. (Caregiver Alternatives to Running on Empty); teams with Public Health and Institute on Aging on NC Roadmap for Healthy Aging; and is responsible for State certification of all adult day care and adult day health care programs/centers.

Planning, Budget and System Supports: Manages budget functions, web site and the MIS system for home and community services (Aging Resources Management System—ARMS); coordinates contracting and monitoring functions; develops State Aging Plan and supports state, regional and local planning; coordinates the Family Caregiver Support Program, and facilitates program evaluation activities.

DAAS Programmatic and Policy Goals

- Expand **in-home and community services and benefits** for older and disabled adults
- Increase **support for family caregivers**, including those caring for persons with Alzheimer's Disease and other dementia
- Support aging-in-place through **well coordinated community-based services**
- Assure an adequately trained **workforce** to provide services
- **Involve older and disabled adults and their families** in meaningful public policymaking
- Establish an **integrated state, regional, and county planning** process for long-term well-being and the support of livable and senior-friendly communities
- Improve the **quality of aging and adult services and programs**, including senior centers
- Increase **volunteer and employment** opportunities for older and disabled adults
- Enhance quality of care and quality of life of residents of **long-term care facilities**
- Collaborate with public and private agencies and organizations to enhance the **health and wellness** of older and disabled adults and their family caregivers
- Develop a system for comprehensive and timely **information and assistance**, including support of **NCcareLINK** [www.nccarelink.gov/]
- **Protect older and disabled adults** from mistreatment and advocate for their rights and well-being

Service Information (FY 07-08)

Individuals assisted:	FY 2005-06	FY 2007-08
HCCBG	58,387	62,047
Special Assistance [Licensed Residential Care]	30,096	30,938
Special Assistance In-Home	1,040	2,027
Adult Protective Services	6,667	8,117
Guardianship Services	2,724	3,930
Senior Centers	161	163

Home and Community Care Block Grant

- Combines federal Older Americans Act, Social Services Block Grant in support of respite, and relevant State appropriations
- Gives counties greater discretion and authority in determining services, service levels, and providers
- Counties choose from among 18 eligible services

Adult Day Care *	Health Screening	Mental Health Counseling
Adult Day Health Care *	Home Delivered Meals *	Senior Center Operations
Care Management *	Housing and Home Improvement *	Senior Companion *
Congregate Nutrition	Information and Assistance *	Skilled Home (Health) Care *
Group Respite *	In-Home Aide (levels I-IV) *	Transportation *
Health Promotion and Disease Prevention	Institutional Respite Care *	Volunteer Program Development

* core long-term services and supports

- Focus is on supporting frail elderly at home, improving physical and mental health, assisting with access to services and information, providing family caregiver relief, and helping seniors remain active.

Making a Difference—Who Was Served during SFY 2007-08?

- 71% were women (as compared to 57% of population aged 60+)
- 35% were minority (as compared to 18%)
- 58% were age 75+ (as compared to 32%)
- 48% live alone (as compared to 28%)
- 66% were unable to manage on their own (as compared to 12%)
- 66% were at risk of malnutrition
- 44% reportedly low income (as compared to 13%)

Making a Difference—Are the funds used wisely?

- Of the 18 services, 12 are clearly 'core' long-term services and supports.
- 93% of the funds over which counties have discretion go to these 'core' services and supports.
- Providers are efficient and accountable.
- Performance outcome measures are positive.

Status of Funding and Utilization

- HCCBG funding has increased about 24% since 2000.
- Minimal increase in clients served and decrease in total service units (-9.96%) between July 1, 2000 and June 30, 2008. Comparatively, the populations age 60+ and 75+ grew by 23% and 15%, respectively during this same period.
- The SFY 07-08 expenditure rate was 99.8%.

Intrastate Funding Formula for HCCBG

- Uses best available data (Annual State Data Center estimates and 2000 census based)
- Provides a $60,000 base amount to each county to support minimum capacity
- Uses the following factors and weights: population aged 60 and older (50%); population aged 60+ living in poverty (30%); population aged 60+ who are minority (10%); population aged 60+ who are in rural area (10%)
- Protects counties from substantial changes in funding with 5% cap on loss based on SFY 04-05 funding levels.

Home-Delivered Meals – Statewide Survey (2004):

- ☆ Nearly half of NC home-delivered meals clients (49%) said that their home-delivered meal provided *½ or more* of their daily food intake. [The federal requirement for the home-delivered meal is that it meets one-third of the minimum daily nutritional allowance.]
- ☆ Nearly 1 in 4 NC home-delivered meals clients said they ate less on the days they didn't get home-delivered meals (24%).
- ☆ More than 1 in 4 of NC home-delivered meals clients said they don't always have enough money to buy food (28%).

Family Caregiver Support & Home and Community Services Survey (2002-03):

- ☆ Caregivers in 2002 who indicated that they needed more respite and/or adult care services were significantly more likely to have placed the person they were caring for in a facility by 2003.
- ☆ Those who were receiving any type of in-home aide service (in-home respite, personal care, or homemaker) in 2002 were significantly less likely to have placed the person they were caring for in a facility by 2003.

Comparison of Estimated and Projected Population Change in NC Counties for Age Groups 0-17 and 60+ between 2007 and 2030

Counties in **bold** are those where the population 60+ is greater than 0-17. Counties in *italics* are those where the population 0-17 is greater than 60+. Both **bold** and *italicized* counties are ranked in descending order by the population 60+

2007			2030		
County/State	0-17	60+	County/State	0-17	60+
HENDERSON	**21,216**	**28,319**	**BUNCOMBE**	**59,128**	**79,738**
BRUNSWICK	**19,891**	**26,635**	**NEW HANOVER**	**54,614**	**72,902**
MOORE	**17,607**	**23,480**	**GASTON**	**52,139**	**61,583**
CARTERET	**11,511**	**16,983**	**BRUNSWICK**	**34,016**	**60,319**
HAYWOOD	**11,400**	**15,250**	**DAVIDSON**	**43,145**	**47,305**
BEAUFORT	**10,204**	**10,935**	**HENDERSON**	**30,894**	**46,173**
MACON	**6,574**	**10,084**	**MOORE**	**23,279**	**38,138**
TRANSYLVANIA	**5,851**	**9,588**	**CRAVEN**	**23,310**	**34,398**
CHEROKEE	**5,296**	**7,950**	**ORANGE**	**30,573**	**33,943**
JACKSON	**6,883**	**7,720**	**CARTERET**	**12,117**	**28,796**
WATAUGA	**6,701**	**7,519**	**NASH**	**25,197**	**27,877**
DARE	**6,981**	**7,311**	**ROCKINGHAM**	**18,920**	**26,389**
ASHE	**5,065**	**6,721**	**CLEVELAND**	**22,507**	**25,636**
POLK	**3,663**	**5,583**	**LINCOLN**	**23,100**	**24,936**
NORTHAMPTON	**4,733**	**5,114**	**CHATHAM**	**20,188**	**24,608**
YANCEY	**3,766**	**4,788**	**CALDWELL**	**17,543**	**23,715**
MADISON	**4,304**	**4,620**	**WILSON**	**21,654**	**22,790**
WARREN	**4,291**	**4,594**	**PENDER**	**15,724**	**22,770**
AVERY	**3,233**	**4,203**	**BURKE**	**18,989**	**22,285**
MITCHELL	**3,144**	**4,199**	**HAYWOOD**	**12,676**	**21,834**
CHOWAN	**3,237**	**3,703**	**SURRY**	**18,059**	**21,076**
PERQUIMANS	**2,574**	**3,525**	**WILKES**	**15,249**	**20,614**
PAMLICO	**2,381**	**3,521**	**RUTHERFORD**	**13,202**	**18,965**
CLAY	**1,789**	**3,366**	**GRANVILLE**	**15,855**	**17,444**
ALLEGHANY	**2,118**	**3,043**	**STANLY**	**14,119**	**16,109**
GRAHAM	**1,771**	**2,191**	**BEAUFORT**	**9,863**	**16,041**
HYDE	**1,001**	**1,173**	**MACON**	**9,265**	**15,810**
TYRRELL	**827**	**859**	**PASQUOTANK**	**12,477**	**15,630**
MECKLENBURG	*222,743*	*103,080*	**LENOIR**	**11,637**	**15,599**
WAKE	*215,555*	*93,178*	**HALIFAX**	**10,239**	**15,503**
GUILFORD	*110,624*	*74,088*	**DAVIE**	**13,774**	**15,265**
FORSYTH	*83,290*	*58,658*	**COLUMBUS**	**11,704**	**14,219**
BUNCOMBE	*47,806*	*46,727*	**DARE**	**10,099**	**14,051**
CUMBERLAND	*83,604*	*37,753*	**TRANSYLVANIA**	**5,897**	**13,948**
GASTON	*47,662*	*36,465*	**STOKES**	**10,989**	**13,468**
NEW HANOVER	*39,157*	*35,541*	**MCDOWELL**	**10,555**	**13,396**
DURHAM	*61,449*	*33,938*	**CHEROKEE**	**6,069**	**13,102**
DAVIDSON	*37,282*	*29,363*	**JACKSON**	**8,004**	**12,717**
CATAWBA	*37,430*	*27,024*	**WATAUGA**	**7,085**	**12,471**
ALAMANCE	*34,722*	*25,786*	**EDGECOMBE**	**8,785**	**12,201**
IREDELL	*38,355*	*25,583*	**RICHMOND**	**10,768**	**12,079**
CABARRUS	*43,639*	*24,976*	**PERSON**	**9,477**	**11,981**
UNION	*51,634*	*24,530*	**YADKIN**	**10,188**	**10,635**
JOHNSTON	*42,083*	*21,220*	**ASHE**	**5,486**	**10,358**
PITT	*36,029*	*20,646*	**SCOTLAND**	**8,880**	**9,529**
WAYNE	*29,525*	*19,499*	**BLADEN**	**7,208**	**9,075**

Data retrieved from North Carolina State Data Center Website on 01/23/2009

Comparison of Estimated and Projected Population Change in NC Counties for Age Groups 0-17 and 60+ between 2007 and 2030

Counties in **bold** are those where the population 60+ is greater than 0-17. Counties in *italics* are those where the population 0-17 is greater than 60+. Both **bold** and *italicized* counties are ranked in descending order by the population 60+

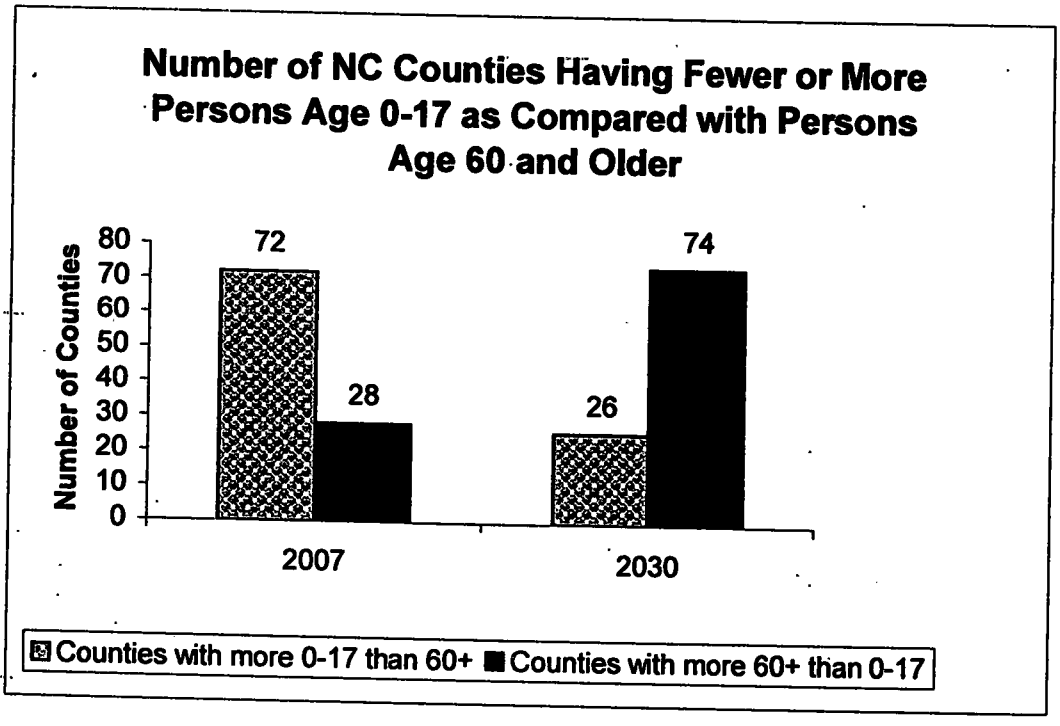
2007			2030		
County/State	0-17	60+	County/State	0-17	60+
CRAVEN	*22,536*	*19,311*	**MONTGOMERY**	**7,306**	**8,207**
ROCKINGHAM	*20,546*	*19,179*	**POLK**	**3,907**	**7,611**
ROBESON	*36,540*	*18,929*	**HERTFORD**	**4,554**	**7,421**
CLEVELAND	*23,907*	*18,558*	**YANCEY**	**3,763**	**7,272**
ONSLOW	*41,648*	*17,221*	**MADISON**	**4,382**	**7,026**
BURKE	*20,486*	*17,167*	**NORTHAMPTON**	**3,946**	**6,496**
ORANGE	*25,699*	*16,516*	**ANSON**	**4,820**	**6,339**
NASH	*22,827*	*16,313*	**BERTIE**	**3,510**	**6,336**
CALDWELL	*18,039*	*16,043*	**AVERY**	**2,675**	**6,309**
SURRY	*17,254*	*15,486*	**MARTIN**	**4,252**	**6,297**
HARNETT	*27,965*	*14,828*	**CASWELL**	**4,626**	**6,281**
WILKES	*15,094*	*14,320*	**CLAY**	**2,326**	**6,131**
WILSON	*19,649*	*14,144*	**PERQUIMANS**	**3,248**	**6,124**
RUTHERFORD	*14,449*	*13,992*	**WARREN**	**3,935**	**6,005**
LINCOLN	*17,405*	*12,638*	**MITCHELL**	**3,084**	**5,631**
CHATHAM	*12,869*	*12,329*	**CHOWAN**	**3,134**	**5,594**
LENOIR	*13,967*	*12,052*	**SWAIN**	**4,083**	**4,950**
STANLY	*14,176*	*11,469*	**PAMLICO**	**2,090**	**4,718**
HALIFAX	*13,274*	*11,421*	**CAMDEN**	**4,259**	**4,691**
SAMPSON	*16,846*	*10,906*	**GATES**	**3,737**	**4,599**
COLUMBUS	*13,300*	*10,822*	**ALLEGHANY**	**2,157**	**4,256**
PENDER	*10,765*	*10,510*	**WASHINGTON**	**2,534**	**4,090**
LEE	*14,351*	*9,762*	**JONES**	**2,073**	**3,385**
EDGECOMBE	*13,039*	*9,448*	**GRAHAM**	**1,818**	**2,973**
DUPLIN	*13,830*	*9,092*	**HYDE**	**674**	**1,366**
GRANVILLE	*12,864*	*9,017*	**TYRRELL**	**699**	**1,173**
MCDOWELL	*9,862*	*8,983*	*WAKE*	*388,937*	*285,295*
RICHMOND	*11,756*	*8,830*	*MECKLENBURG*	*368,469*	*261,915*
FRANKLIN	*14,309*	*8,592*	*GUILFORD*	*138,117*	*129,284*
STOKES	*10,858*	*8,577*	*FORSYTH*	*109,585*	*103,235*
DAVIE	*9,810*	*8,102*	*UNION*	*104,664*	*77,242*
PASQUOTANK	*9,480*	*7,791*	*DURHAM*	*85,422*	*68,205*
VANCE	*11,809*	*7,625*	*CUMBERLAND*	*83,988*	*66,564*
YADKIN	*9,109*	*7,452*	*CABARRUS*	*76,644*	*57,412*
PERSON	*8,691*	*7,173*	*IREDELL*	*60,990*	*56,450*
ALEXANDER	*8,747*	*6,860*	*JOHNSTON*	*73,341*	*53,305*
BLADEN	*7,939*	*6,662*	*CATAWBA*	*45,497*	*44,248*
SCOTLAND	*9,824*	*6,430*	*PITT*	*48,876*	*43,914*
MONTGOMERY	*6,727*	*5,538*	*ALAMANCE*	*44,969*	*41,143*
MARTIN	*5,682*	*5,236*	*RANDOLPH*	*39,434*	*38,969*
HERTFORD	*5,358*	*5,201*	*ROWAN*	*37,212*	*37,032*
ANSON	*6,076*	*4,877*	*ONSLOW*	*46,015*	*32,039*
CASWELL	*5,143*	*4,565*	*ROBESON*	*37,781*	*31,310*
HOKE	*13,118*	*4,436*	*HARNETT*	*38,130*	*30,672*
BERTIE	*4,679*	*4,428*	*WAYNE*	*31,296*	*29,033*
CURRITUCK	*5,479*	*4,376*	*FRANKLIN*	*21,057*	*19,372*

Data retrieved from North Carolina State Data Center Website on 01/23/2009

Comparison of Estimated and Projected Population Change in NC Counties for Age Groups 0-17 and 60+ between 2007 and 2030

Counties in **bold** are those where the population 60+ is greater than 0-17. Counties in *italics* are those where the population 0-17 is greater than 60+. Both **bold** and *italicized* counties are ranked in descending order by the population 60+

2007			2030		
County/State	**0-17**	**60+**	**County/State**	**0-17**	**60+**
GREENE	*5,252*	*3,476*	*LEE*	*20,261*	*18,084*
SWAIN	*3,252*	*3,079*	*SAMPSON*	*20,042*	*16,677*
WASHINGTON	*3,229*	*3,073*	*DUPLIN*	*17,194*	*14,172*
GATES	*2,852*	*2,429*	*HOKE*	*23,026*	*11,664*
JONES	*2,354*	*2,263*	*VANCE*	*11,912*	*10,877*
CAMDEN	*2,225*	*1,833*	*GREENE*	*5,998*	*5,453*
NORTH CAROLINA	*2,194,806*	*1,529,488*	*NORTH CAROLINA*	*2,920,188*	*2,864,454*



Data retrieved from North Carolina State Data Center Website on 01/23/2009

Table III B
SFY 2007-08
Schedule of Reported Expenditures by Funding Source and Major Service Category

Funding Source	1. Adult Care Homes	2. Economic Support	3. Physicians, & Other Health Care	4. Home Health & In-Home Care	5. Institutional Care	6. Social Supportive Services	Totals	Percent
Funding Source: Department of Transportation						8,850,932	$8,850,932	0.30%
Funding Source: Division of Aging and Adult Services			1,916,385	34,863,858		29,381,772	$66,162,015	2.25%
Funding Source: Division of Medical Assistance	112,425,599	410,802,518	310,052,100	526,341,219	1,121,191,999		$2,480,813,436	84.50%
Funding Source: Division of Mental Health/Developmental Disabilities/Substance Abuse Services			12,041,566		176,641,363		$188,682,928	6.43%
Funding Source: Division of Services for the Blind	153,936		1,397,914	256,468		324,565	$2,132,883	0.07%
Funding Source: Division of Social Services	76,516,208	76,502,572		10,660,963		19,148,490	$182,828,232	6.23%
Funding Source: Division of Vocational Rehabilitation			5,141,356			1,381,384	$6,522,740	0.22%
Totals	**$189,095,743**	**$487,305,090**	**$330,549,322**	**$572,122,508**	**$1,297,833,362**	**$59,087,142**	**$2,935,993,167**	**100.00%**
Percent	**6.44%**	**16.60%**	**11.26%**	**19.49%**	**44.20%**	**2.01%**	**100.00%**	

Table IIIA. Expenditures by Funding Source, Service, and Service Category for Clients 60+ Years of Age: SFY 2007-2008

	Category	Clients	Expenditure
Funding Source: Department of Transportation			
Elderly and Disabled Transportation Assistance Program	6		$5,965,440
Elderly and Disabled Transportation Assistance Program (Supplemental)	6		$2,885,492
		Total	$8,850,932
Funding Source: Division of Aging and Adult Services			
Adult Day Care	4	549	$1,903,839
Adult Day Health	4	614	$2,141,779
Care Management	6	187	$792,808
Congregate Nutrition	6	28,873	$9,630,414
Consumer Directed Care	4		$45,512
Family Caregiver Support - Access	6		$608,573
Family Caregiver Support - Counseling/Support Groups/Training	6		$488,628
Family Caregiver Support - Information	6		$1,130,231
Family Caregiver Support - Respite	6		$1,590,622
Family Caregiver Support - Supplemental Services	6		$267,208
Group Respite	6	80	$111,448
Health Promotion/Disease Prevention	3		$574,940
Health Screening	3		$20,682
Home Delivered Meals	4	18,361	$11,068,533
Home Health Skilled Nursing	4	10	$16,000
Housing and Home Improvement	6	1,287	$834,521

	Category	Clients	Expenditure
In Home Aide Level I - Home Management	4	3,449	$5,047,274
In Home Aide Level I - Respite	4	122	$274,482
In Home Aide Level II - Home Management	4	183	$246,423
In Home Aide Level II - Personal Care	4	3,642	$10,020,180
In Home Aide Level II - Respite	4	252	$841,931
In Home Aide Level III - Home Management	4	99	$57,320
In Home Aide Level III - Personal Care	4	712	$2,430,710
In Home Aide Level III - Respite	4	126	$581,421
In Home Aide Level IV - Home Management	4	22	$33,373
Information & Assistance	6		$1,901,541
Institutional Respite	6	60	$255,334
Legal	6		$466,618
Medication Management	3		$147,615
Senior Center	6		$5,384,613
Senior Companion	4	88	$155,081
Transportation, General	6	10,246	$5,715,289
Transportation, Medical	3	3,662	$1,173,148
Volunteer Program Development	6		$203,924
		Total	$66,162,015

Funding Source: Division of Medical Assistance

ACH-PCS Basic/Enhanced	1	17,926	$109,600,011
ACH-Transportation	1	17,704	$2,825,588
CAP/CHOICE	4	32	$574,386
CAP/DA	4	11,020	$202,437,795

	Category	Clients	Expenditure
CAP/MR	4	385	$18,964,999
Clinics	3	35,452	$21,217,963
Dental	3	45,461	$18,485,670
HMO	2	11,016	$8,758,107
Home Health	4	85,308	$62,306,914
Hospice	4	4,608	$54,237,446
ICF-MRC	5	554	$72,041,843
Inpatient Hospital	5	20,095	$82,989,928
Inpatient Mental Hospital	5	141	$3,715,128
Lab & X-Ray/Physicians	3	194,046	$93,677,832
Medicare Part A&B Premiums	2	196,643	$254,310,575
Medicare Part D Clawback	2	157,623	$147,733,836
Nursing Homes	5	37,498	$962,445,101
Other Care	3	76,145	$15,698,513
Other Practitioners	3	70,544	$36,585,989
Outpatient Hospital	3	88,147	$55,462,816
Prescribed Drugs	3	85,506	$68,923,317
Regular Personal Care (PCS)	4	29,226	$187,819,679
		Total	$2,480,813,436

Funding Source: Division of Mental Health/Developmental Disabilities/Substance Abuse Services

Alcohol Rehabilitation Centers	5	65	$324,799
Developmental Disabilities	3	1,029	$6,458,546
Mental Health	3	17,147	$4,518,743
Mental Retardation Centers	5	336	$60,897,800

	Category	Clients	Expenditure
Psychiatric Hospitals	5	1,600	$115,418,764
Substance Abuse	3	1,760	$1,064,277
		Total	$188,682,928
Funding Source: Division of Services for the Blind			
Adjustment Services for the Blind and Visually Impaired	6		$324,565
Independent Living Rehabilitation Program	3	940	$332,829
In-Home Services Level 1 Home Management	4		$256,468
Medical Eye Care Program	3	1,071	$558,796
Rehabilitation	3	474	$506,289
Special Assistance for the Blind	1	29	$153,936
		Total	$2,132,883
Funding Source: Division of Social Services			
Adult Care Home Case Management/Screening	1	4,283	$2,375,663
Adult Day Care	4	673	$1,428,267
Adult Day Health	4	388	$763,811
Adult Placement	6	425	$222,560
Adult Protective Services	6	6,333	$3,486,304
At-Risk Case Management	6	2,379	$1,337,538
Energy Assistance	2	61,864	$4,194,680
Food and Nutrition Services	2	98,052	$72,307,892
Guardianship Services	6	2,064	$2,084,140
Housing & Home Improvement	6	145	$1,296
In-Home Aide Services	4	5,480	$4,353,989
Meals - Home and Congregate	4	799	$105,475

	Category	Clients	Expenditure
Other Services	6	10,460	$11,120,719
Special Assistance: Adult Care Home	1	18,292	$74,140,545
Special Assistance: In-Home	4	1,302	$4,009,421
Transportation	6	6,220	$895,934
		Total	$182,828,232
Funding Source: Division of Vocational Rehabilitation			
Independent Living	3	1,865	$5,141,356
Vocational Rehabilitation	6	736	$1,381,384
		Total	$6,522,740

Legislative Agendas for 2009 as Compiled by the Division of Aging and Adult Services

	Senior Tar Heel Legislature	Governor's Advisory Council on Aging	Coalition on Aging	NCACDSS	AARP-NC	NCAOA[1]	Friends of Residents in Long Term Care	NC4A[2]
1. Provide funding to sustain Project C.A.R.E. (Caregiver Alternatives to Running on Empty).	$1 million	$500,000	$500,000		X	$500,000		X
2. Implement practical and cost-effective steps to address concerns related to the mixing of populations, including younger adults with mental illness and frail older persons residing in long term care facilities.	X				X	X	X	
3. Increase funding for home and community based services for older adults by increasing the Home and Community Care Block Grant.	$5 million	$7 million	$7 million		$7 million	$5 million	X	X
4. Increase funding for senior centers.	$2 million	$1 million	$750,000		$750,000	X		X
5. Establish a cap on the increase in the assessed value of property during revaluations for persons over the age of 65, eligible for the Homestead Exemption.	X							
6. Expand dental care services for older, disabled, and special needs populations through mobile dental laboratories and services for those in long-term care facilities.			X		X		X	X
7. Increase the asset limit for Medicaid eligibility for aged, blind, and disabled persons from $2,000 to $6,000 for an individual and from $3,000 to $9,000 for a couple.		X	X					
8. Appropriate $2 million for use by the NC Division of Public Health to assist with the provision of indoor plumbing for older adults without these facilities. Census data indicates that 5,000 persons 60 and older do not have complete plumbing.		X						
9. Fund Adult Protective Services Pilot Project.		$1.9 million		X	X	X	X	
10. Update guardianship laws and provide funding for public guardianship services.				X	X		X	

[1] NCAOA: North Carolina Association on Aging
[2] NC4A: North Carolina Association of Area Agencies on Aging

	Senior Tar Heel Legislature	Governor's Advisory Council on Aging	Coalition on Aging	NCACDSS	AARP-NC	NCAOA	Friends of Residents in Long Term Care	NC4A
11. Fund SHIIP to educate the public about long-term care insurance.					X			
12. Support Area Agencies on Aging to help counties plan for the growth in the aging population/ provide funding for administrative support						X		$270,000
14. Approve expansion of Medicaid dollars in adult day health as affordable service option.			X		X			
15. Enact legislation for funding a comprehensive plan for our aging population.			X		X			X
16. Increase Medicaid nursing home residents' personal needs allowance in nursing homes.							X	
17. Appropriate funds for Medicare Part D premium assistance for beneficiaries earning up to 200% of the federal poverty level and for medication management and aid for the monitoring of prescriptions for at-risk patients.			$25 million		X			
18. Increase payment for Medicaid services to dentists.			X					
19. Enact legislation requiring all new nurse aides to show evidence of completion of an approved training program and competency exam without the option of the challenge exam.			X				X	
20. Preserve Medicaid eligibility and services for older and disabled adults.					X			
21. Reduce the number of uninsured individuals in the State and ensure that all North Carolinians have access to necessary and affordable health care.					X			
22. Establish a family caregiver tax credit for expenses incurred in caring for an older or disabled family member at home.					X			
23. Provide employees with a min. number of paid annual sick days to care for themselves or a family member.					X		X	

19

	Senior Tar Heel Legislature	Governor's Advisory Council on Aging	Coalition on Aging	NCACDSS	AARP-NC	NCAOA	Friends of Residents in Long Term Care	NC4A
24. Support transportation options and choices that enable communities to be senior friendly and that are financed in a fair and sustainable way.					X			
25. Provide a $50 million recurring appropriation for the Housing Trust Fund.					X			
26. Expand health promotion and disease prevention programs, including making public places and worksites smoke-free.					X			
27. Support funding for the creation, continuation and expansion of Community Resource Connections.						X		
28. Request $500,000 in non-recurring funding for capacity building of NC Carelink								$500,000
29. Support a study group to develop a model which would enhance the positioning of the State of North Carolina as a strong candidate to receive future Lifespan Respite Act appropriations.								X
30. Mandatory drug testing in long-term care facilities – both pre-employment and random testing for employees.								X
31. Study feasibility of requiring air conditioning in Adult Care Homes.							X	
32. Monitor implementation of the Star Rating System and Maintain expansion of technical assistance funds for Quality Improvements for Adult Care Homes.							X	
33. Improve disaster preparedness of long-term care facilities and local planning efforts.							X	

17

Senior Tar Heel Legislature (STHL)

Created by State Senate Bill 479 in 1993, the STHL bridges seniors and the General Assembly. The Senior Tar Heel Legislature was created to:

- *Provide information to seniors on the legislative process and matters being considered by the NC General Assembly*
- *Promote citizen involvement and advocacy concerning aging issues before the General Assembly.*
- *Assess the legislative needs of older citizens by convening a forum modeled after the General Assembly.*

Each county has a delegate, and most have an alternate. The group meets in March, June, and October. STHL members often participate in regional planning with Area Agencies on Aging and provide updates on issues through local senior centers. Current officers of the Senior Tar Heel Legislature are: Charles Dickens, Speaker (Buncombe), Edwin Deaver, Speaker Pro Tempore (Cumberland), Betty Hunt, Deputy Speaker Pro Tempore (Randolph), and Milton Spann, Secretary (Watauga County).

Governor's Advisory Council on Aging (GAC)

The GAC consists of 33 members including 29 members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate and two members appointed by the Speaker of the House of Representatives. The GAC has the following duties: (1) Make recommendations to the Governor and the Secretary of Health and Human Services aimed at improving human services to the elderly; (2) Study ways and means of promoting public understanding of the problems of the aging and consider the need for new State programs in the field of aging; (3) Advise DHHS in the preparation of a plan describing the quality, extent and scope of services being provided, or to be provided, to older persons in North Carolina; (4) Study the programs of all State agencies which provide services for elderly persons and advise the Governor and the Secretary of Health and Human Services on the coordination of program to prevent duplication and overlapping of such services; and (5) Advise the Governor and the Secretary of Health and Human Services upon any matter which the Governor and the Secretary may refer to it. Ann Johnson is the Council Chair.

Project C.A.R.E: "Caregiver Alternatives to Running on Empty"

FACT SHEET

Project C.A.R.E: "Caregiver Alternatives to Running on Empty" uses a family consultant model to provide consumer-directed respite care and comprehensive support to caregivers. ***The goal of the program is to increase quality, access, choice, and use of respite and support services to low-income rural and minority families caring for a person with dementia at home.*** Through the integration of dementia-capable services and the development of family-centered and caregiver-focused community care networks, Project C.A.R.E. helps create a seamless, coordinated delivery system that is responsive to the needs, values and preferences of Alzheimer's families.

Project C.A.R.E. is administered through the Division of Aging and Adult Services (DAAS) with expert consultation and technical assistance provided by the Duke Aging Center Family Support Program. Project C.A.R.E. is implemented at the local level through Family Consultants. The program is currently based within the Mecklenburg County Department of Social Services, two local Area Agencies on Aging (Regions Q and N) and two area offices of the Alzheimer's Association - Western Carolina Chapter. The Mountain Area Chapter office in Asheville serves as the project training center for all new program sites and staff.

Project C.A.R.E. employs Family Consultants with expertise in Alzheimer's disease and related disorders. The Consultants visit the homes of referred dementia caregivers in crises and offer timely, individualized assessment, guidance, counseling, support, advocacy, coaching and education. Their aim is to match families with the most appropriate and preferred local respite and community services tailored to their unique situation and needs. Through Project C.A.R.E., caregivers may spend up to $2500 per year toward respite services. Families are able to choose among a full continuum of consumer-directed care options, including adult day services, group respite, private or agency in-home care, and overnight residential respite.

There are currently five program sites set up to serve the following 18 counties: 1) Charlotte (Mecklenburg County), 2) Winston-Salem (Forsyth, Surry, and Stokes); 3) Asheville (Polk, Henderson, Transylvania, Rutherford, Madison, McDowell, Buncombe, Haywood, Jackson and Swain); 4) Pembroke (Robeson and Bladen); and 5) Washington (Northampton and Hertford). Additional counties will be added over the next two years to include Halifax, Martin, Bertie and Hoke.

> *"Getting a break certainly helps me keep a smile on, and makes me a better person to give him the care he needs and deserves."*
>
> ~Proiect C.A.R.E. Client

> *"It is wonderful to know she is cared for and safe when I'm at work. We could never have kept (our mother) at home this long without Project C.A.R.E. It has been so very, very helpful to us."*
>
> ~Project C.A.R.E. Client

National Recognition:

- 2008 National Program Champion – U.S. Administration on Aging
- 2005 National Best Practice Model – U.S. Administration on Aging and RTI International
- 2005 National Innovative Program Clearinghouse Award and 2005 National Model for Home and Community-Based Care Coordination – National Alzheimer's Association
- 2004 Geriatric Best Practice Award – Southeast Regional Geriatric Best Practices Initiative

Approach:

Project C.A.R.E. Family Consultants use a family-centered, home-based assessment intervention. In-home assessments are preferred because they are responsive to caregiver time and energy constraints. During the home visits, the Consultant:

- assesses the family care environment;
- identifies the needs and preferences of both the caregiver and the person with dementia;
- facilitates discussion and mutual understanding among family members;
- connects the family with community resources; and
- ensures the provision of quality respite care and support services.

The personalized approach of the Consultant fosters family trust, offers individualized caregiving and coping skills and encourages caregiver self-care. Project C.A.R.E. helps families learn the value of quality respite services and feel empowered to make self-directed, informed decisions about care.

> *"Upon arrival into the home, families are often paralyzed by their experience. I begin, first, by teaching the caregiver how to accept help, practice better self care and make informed care decisions."*
>
> ~Project C.A.R.E. Family Consultant

The Project C.A.R.E. model builds upon, enhances and sustains existing home and community-based services by using local providers to deliver respite care while serving as a direct link to the expertise and resources of the Alzheimer's Association. Project C.A.R.E. also connects families to the NC Family Caregiver Support Program, ADRC's, VA Programs, Hospice and other caregiver-focused initiatives– creating a strong network of community support for Alzheimer's families. This comprehensive system of care strengthens the family's capacity to manage the ongoing and diverse challenges inherent in caring for a person with dementia, enabling families to provide care at home longer.

> *"Your support and encouragement was most timely and brought a sense of order into our lives."*
>
> ~Project C.A.R.E. Client

> *"That one day a week means everything to me. I am a different person— my friends all tell me I am a different person"*
>
> ~Project C.A.R.E. Client

Funding:

- **State Funding:**
  - **Appropriation: $500,000** (currently non-recurring funds)
  - **Total budget: $588,722** (includes 10% local match)
  - **Portion for direct respite services (east and west): $389,728** ($2500/year per family)
  - Remaining funds used for Family Consultants salaries, travel and training
- **New Federal Funds:**
  - **Total grant funding for 3 year demonstration period: $936,187**
  - **Year 1 budget: $371,978** (includes 25% local match)
  - **Portion for Family Consultant positions and eastern program sites: $245,909**
  - Remaining funds used for administrative staff, training, travel, program evaluation, database development and contracts with Duke, UNC-Institute on Aging and University of Michigan for consultation, training and research support (per new federal AoA requirements)
  - Federal funds can no longer be used for traditional respite care services

*For more information, please contact Karisa Derence at (919) 733-0440 or karisa.derence@ncmail.net

State of North Carolina

BEVERLY EAVES PERDUE
GOVERNOR

OLDER AMERICANS MONTH

2009

BY THE GOVERNOR OF THE STATE OF NORTH CAROLINA

A PROCLAMATION

WHEREAS, the State of North Carolina joins the Nation in declaring May as Older Americans Month; and

WHEREAS, this year marks the 44th Anniversary of the passage of the "Older Americans Act" by the United States Congress; and

WHEREAS, North Carolina's aging population continues to grow—with the number of citizens age 60 and older projected to increase over the next 20 years from about 1.6 million citizens age 60 and older today to more than 2.8 million in 2029; and

WHEREAS, this year's national theme for Older Americans Month, "Living Today for a Better Tomorrow" reflects North Carolina's commitment to promoting personal lifestyles and community activities to help all people enjoy better health as they age, avoid the risks of chronic disease, disability and injury, and remain active and civically engaged; and

WHEREAS, the North Carolina Division of Aging and Adult Services and Division of Public Health have joined with the UNC Institute on Aging to develop a *Healthy Aging Roadmap* to guide a more coordinated and systematic effort to promote healthy aging throughout the state, which has already resulted in the offering of "Living Healthy"—a chronic disease self-management campaign in 46 counties; and

WHEREAS, May has traditionally been celebrated with tributes to older persons through ceremonies, events, health fairs, and other activities at Senior Centers and other locations;

NOW THEREFORE, I, BEVERLY EAVES PERDUE, Governor of the State of North Carolina do hereby proclaim May 2009, as "OLDER AMERICANS MONTH" in North Carolina, and I urge all citizens of this State to take time this May to honor our seniors, family members, and providers of aging services and supports. I urge people of all ages to exercise regularly, eat well, maintain a good weight, avoid tobacco use, and remain active in the community. I further urge all citizens and communities to work collaboratively to strengthen our preparedness and response to the aging of our population. Today's efforts can make for a better tomorrow.

BEVERLY EAVES PERDUE

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of North Carolina at the Capitol in Raleigh this third day of March in the year of our Lord two thousand and nine, and of the Independence of the United States of America the two hundred and thirty-third.

Web Sites of Possible Interest

N.C. Division of Aging and Aging Services—
http://www.ncdhhs.gov/aging/

Adult Day Care/Adult Day Health Programs in NC
www.ncdhhs.gov/aging/coadcadh.htm

Area Agencies on Aging www.ncdhhs.gov/aging/aaa.htm

Consumer Organizations and Trade/Professional Associations
www.ncdhhs.gov/aging/trade.htm

County Services Fact Sheet www.ncdhhs.gov/aging/cosvfact.htm

Demographic Information www.ncdhhs.gov/aging/demo.htm

Division's e-Newletter [At-a-Glance: Aging and Adult Services in North Carolina] www.ncdhhs.gov/aging/ataglance.htm

Senior Centers in NC www.ncdhhs.gov/aging/scenters/sccty.htm

State Aging Services Plan, 2007-2011
www.ncdhhs.gov/aging/stplan/NC_Aging_Services_Plan_2007.pdf

NCcareLINK— https://nccarelink.gov/

NC Roadmap for Healthy Aging—
www.aging.unc.edu/roadmap/index.html

Living Healthy [Chronic Disease Self-Management Program]
www.aging.unc.edu/roadmap/index.html

Seniors' Health Insurance Information Program (SHIIP)—
www.ncdoi.com/Consumer/Shiip/Shiip.asp

UNC Institute on Aging— www.aging.unc.edu/

Issue Brief

Impact of the Economic Crisis on Home and Community Care Block Grant Services for Older Adults

In February 2009, providers of Home and Community Care Block Grant (HCCBG) Services responded to an online questionnaire developed by the NC Division of Aging and Adult Services. For those services for which providers might maintain waiting lists, respondents were asked how many were currently on the list. Then providers were asked about various service-specific and administrative strategies and issues, and finally, they were given the opportunity to comment. Of the 325 providers, 213 responded (65.5 percent), although rates vary by service. Here is a snapshot of what they reported.

"Funding appears to be receding on all fronts at the same time. Service needs, on the other hand, appear to be growing exponentially. . . . Many agencies may find themselves forced out of the business of operating Aging programs due to major deficits in funding."

—HCCBG Service Provider

Service Needs and Wait Lists Are Growing

- **8,632**: Seniors waiting for HCCBG-funded services (as reported by 65.5% of HCCBG providers)
- **10,531**: Total seniors waiting for services from any source through HCCBG providers
- **13,000–16,000**: Estimated number of seniors waiting for home and community services from HCCBG providers (based on projecting responses to 100%)
- **3,675**: Seniors waiting for in-home aide services under HCCBG; **4,475** for in-home aide services from all sources, the largest waiting list (reported by 60% of providers)
- **2,455**: Seniors waiting for home-delivered meals through HCCBG; **2,783** for all sources, the second largest waiting list (reported by 62% of providers)
- **87%**: Senior centers reporting increased demand for programs and services
- **72.3%**: Providers of information and assistance reporting that requests have increased; **43%** reporting that community resources to which seniors can be referred have decreased

HCCBG Services at a Glance

- adult day care and day health care
- respite
- congregate and home-delivered meals
- health promotion and disease prevention activities
- housing and home repair
- care management
- in-home aide services
- general and medical transportation
- information and assistance
- senior centers
- volunteer coordination

Providers often use a variety of sources to support these programs.

Access to Services Is Decreasing

- Over **30%** of **home-delivered meals** providers are not adding a new client when an existing client ends service, and **almost 25%** more say they may have to freeze slots soon. Half of these providers have either already discontinued holiday or emergency meals or expect to do so.
- **Almost one third** of **congregate meal** providers anticipate having to reduce the number of days their sites are open (24%) or have already done so (8%)—and about the same proportion have stopped adding new participants or think they may have to stop.
- **Nearly three-quarters (71%)** of **in-home aide** providers are reassessing clients to identify those whose services can be reduced or ended, with already **41%** cutting the number of hours of in-home aide service, **46%** capping the amount of service that can be used for individual clients, and **34%** not adding a new client when the service for an existing one ends.
- **About half** of those providing **general transportation** have already reduced the number of routes or the geographic area served (23%), or expect to make this cut (27%), and **almost half** have reduced the number of trips per rider (22%) or expect to do so (26%).

- **Nearly one third** of those providing **medical transportation** are reassessing clients to identify those whose services can be reduced or ended, and about **30%** have reduced the number of trips allowed per client.

Resources Are Dwindling

- Many, if not most, providers have either seen reductions or anticipate them in one or more of their funding sources, with **60 to 70%** of those receiving United Way, consumer contributions, and donations **reporting cuts.**
- **About a quarter** have already run out of HCCBG funds for this fiscal year for one or more services.

About the Home and Community Care Block Grant

Established in 1992 under NCGS 143B-181.1(a)(11), the Home and Community Care Block Grant was devised to provide a "common funding stream" for a comprehensive and coordinated system of home and community-based services and opportunities for older adults. HCCBG services are available to people age 60 and older, although the 'average' client is nearly 80 years old and the program targets individuals who are socially and economically needy. The block grant is administered through the NC Division of Aging and Adult Services and the Area Agencies on Aging. It combines federal and state funds with a local match. The block grant gives county commissioners discretion in budgeting and administering aging funds.

What Providers Are Saying

- "Due to increase in food costs, utilities and health care, seniors are struggling and therefore more are asking for help."
- "We are getting more calls from individuals who have never used our services and they are sounding pretty desperate especially for the nutrition program."
- "Requests for crisis funding for medication, utilities, food continue to increase."
- "Our agency is seeing and continues to foresee service to yet another population of seniors who have never sought-after nor needed services now finding themselves in need because of economic difficulties."
- "We have people calling for Home Delivered Meals. We do not get (they won't give it) the information needed for ARMS [to put on wait list], so we do not have a record of them. However, we would estimate that we have at least 5 people per week that we tell 1) We don't have a route in your neighborhood 2) The route you live on is filled to capacity 3) We don't have the funding to place anyone else on our meal routes. They won't give any information because they say they will be dead or in a nursing home before we can give a glimmer of help—especially if they are waiting on someone on the route to either die or go into a facility. I just know we are drowning here and there doesn't look like any help in sight."
- "Even those who have not been significantly affected by the economy are afraid and are turning to us for services to offset their expenses in order to save for [what] is possibly to come."
- "We are serving 58 more people this year than last year, which is an additional 14,500 [home-delivered] meals. The waiting list, though, has increased by 47%; it increased from 197 last year at this time to 291 this year."
- "Most of our clients tend to need ongoing In-Home Aide service due to limited support systems. Therefore, many clients on our waiting list have to wait 12-18 months for service, and some never receive it at all."
- "I believe that we do a good job of managing our resources but our [in-home] aides are just doing the bare minimum [number of hours] for our seniors, due to the time restraints that we must put on their schedules."
- "If we did not have HCCBG funds we would not be able to stay open [to provide adult day services]. HCCBG funds account for 34% of the budget."
- "We are getting calls from potential new clients almost on a daily basis [for transportation]. . . . I feel this will only grow as older adults will have to cut back on their driving because of gasoline costs or maybe on car repairs they can no longer afford. . . . Family members are having their own problems (jobless, etc.) therefore having no resources to help parents or grandparents."

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — May 20, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Linda Dunlap	NCBA
Paula A. Wolf	Friends of Residents in Long Term Care
Allan Beckmann	NC DST
Christopher Jones	NC DST
David Starling	NCDST
Alicia Dow	MWC
Sheyna Altercovitz	AARP
Ed Rego	NCRGEA
Andrew Cagle	DLC/Akor
Paul Meyer	NCLM

Senate Pensions & Retirement & Aging Committee
Wednesday, May 27, 2009, 12:00 Noon
LOB, Rm 423

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

HB 642	Retirement Technical Corrections.	Representative Tucker
HB 816	Clarify Local Special Separation Allowance.	Representative Cotham
HB 1073	Fire and Rescue Pension Withdrawal Change.	Representative Lewis
HB 1221	Develop State Employee Benefits Statement.	Representative Folwell

Presentations

Other Business

Adjournment

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

PENSIONS & RETIREMENT & AGING COMMITTEE REPORT
Senator Tony Foriest, Chair

Wednesday, May 27, 2009

Senator FORIEST,
submits the following with recommendations as to passage:

FAVORABLE

H.B.(CS #1) **642** Retirement Technical Corrections.
Sequential Referral: None
Recommended Referral: None

H.B.(CS #1) **1221** Develop State Employee Benefits Statement.
Sequential Referral: None
Recommended Referral: None

UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 1, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL

H.B.(CS #1) **1073** Fire and Rescue Pension Withdrawal Change.
Draft Number: 80450
Sequential Referral: Appropriations/Base Budget
Recommended Referral: None
Long Title Amended: Yes

TOTAL REPORTED: 3

Committee Clerk Comments:

MINUTES

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE
Wednesday, May 27, 2009
12:00 p.m.
Room 423, Legislative Office Building

The Senate Pensions & Retirement & Aging Committee met at 12:00 p.m. on Wednesday, May 27, 2009, in Room 423 of the Legislative Office Building. Ten members were present. Fiscal and Research Division staff were present and the Committee Clerk was in attendance. The agenda and visitor registration sheet(s) are attached.

Chairman Foriest called the meeting to order and introduced the pages and sergeant-at-arms staff. He recognized a page serving this week from his district in Burlington, Mark Kemp. The agenda order was slightly changed.

HB 642– Retirement Technical Corrections (Attachment 1)

Chairman Foriest introduced Representative Tucker to explain 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. Representative Tucker indicated that the bill helps to bring consistency and compliance with federal law, efficiency of benefits, and enhances the customers (state employees who are retiring). HB 642 is the House version of SB 645.

Senator Bingham motioned for a favorable report of HB 642. The motion was carried.

HB 1073 – Fire and Rescue Pension Withdrawal Change (Attachment 2)

Chairman Foriest recognized Representative Lewis to explain HB 1073, an act to provide that members of the Firemen's and Rescue Squad Workers' Pension (FRSWP) fund who withdraw from membership with five years or more of contributing service are entitled to the return of all funds. Senator East motioned to waive the rule of sending out the PCS on the day of the Committee meeting and to consider the accompanying PCS. The motion was carried. The PCS allows FRSWP members with five or more years of contributing service and who withdraw from the fund to receive both money contributed by the member directly, and money contributed on behalf of the member. FRSWP Fund members with less than five years of contributing service and who withdraw from the fund will receive money that the individual contributed to the fund, but money contributed on behalf of the member will be returned to the entity that made the contribution. Representative Lewis indicated that the bill institutes a vesting process whereby if someone serves and contributes to the FRSWP Fund for five years would be entitled to withdraw funds if they so choose. He also noted that, to the best of his knowledge, no one was opposed to the bill.

There was a question and answer session. Stanley Moore of the Fiscal Research Division addressed the Committee regarding the fiscal impact of HB 1073. He noted that the present law allows any person, firm, corporation or other entity that has made contributions on behalf of a member of the FRSWP Fund, to receive those contributions if the member elects to withdraw from the Fund. The bill removed that language so that any firemen or rescue squad workers, with five or more years of

service, will be eligible to receive all the contributions that he/she made plus any that were made on his/her behalf, regardless of who made the contributions. There is nothing in the law that allows an employer to pay part of the employees' 6% contribution. Mr. Moore indicated that the bill has no effect on other neither Retirement Systems, nor does it matter if the employee is a volunteer or with a local municipality. If employees are reimbursed, they will not receive interest.

Senator Bingham motioned for a favorable report – unfavorable to original bill, favorable adoption of the PCS. The motion was carried. There is a sequential referral to Appropriations/Base Budget.

HB 1221 – Develop State Employee Benefits Statement (Attachment 3)

Chairman Foriest recognized Representative Folwell to explain HB 1221, ac 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. Representative Folwell noted that our employees do not have a comprehensive report of what the present value of our future obligation is to them, and this bill will provide such. He indicated that the bill is supported by the Office of State Personnel.

Senator Garrou motioned for a favorable report and the motion was carried.

There was no discussion on HB 816 – Clarify Local Special Separation Allowance.

The meeting was adjourned at 12:17 p.m.

Senator Anthony Foriest, Chair Presiding

Jacqueline F. Ray, Committee Clerk

(NOTE: Minutes were assembled for library use after the Presiding Chair left office and vacated the NCGA.)

HOUSE BILL 642*
Committee Substitute Favorable 4/29/09

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 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 1.(b) G.S. 135-74(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 1.(c) G.S. 120-4.31(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 that 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 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 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.

A member may elect to terminate membership in the fund at anytime and request the refund of payments previously made to the fund. However, a member's delinquency in making the monthly payments required by this section does not result in the termination of membership without such an election by the member."

SECTION 2.(e) G.S. 58-86-40 reads as rewritten:

"**§ 58-86-40. Rescue squad worker's application for membership in funds; monthly payments by members; payments credited to separate accounts of members; termination of membership.**

Those rescue squad workers eligible pursuant to G.S. 58-86-30 may apply to the board for membership. Each eligible rescue squad worker upon becoming a member 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.

A member may elect to terminate membership in the fund at anytime and request the refund of payments previously made to the fund. However, a member's delinquency in making the monthly payments required by this section does not result in the termination of membership without such an election by the member."

SECTION 2.(f) G.S. 58-86-45(b) reads as rewritten:

"(b) An eligible fireman or rescue squad worker who is not yet 35 years old ~~and has not previously elected to become a member~~ may apply to the board of trustees for membership in the fund at any time. Upon becoming a member, the worker ~~must~~ may make a lump sum payment of ten dollars ($10.00) per month retroactively. to the time the worker first became eligible to become a member, plus interest at an annual rate to be set by the board for each year of retroactive payments. Upon making this lump sum payment, the worker shall be given credit for all prior service in the same manner as if the worker had applied for membership upon first becoming eligible.

A member who is not yet 35 years ~~old, who applied for membership after first becoming eligible, and who did not receive credit for prior service~~ old may receive credit for the prior service upon making a lump sum payment of ten dollars ($10.00) for each month since the worker first became eligible, plus interest at an annual rate to be set by the board for each year of retroactive payments. Upon making this lump sum payment, the date of membership shall be the same as if the worker had applied for membership upon first becoming eligible."

SECTION 2.(g) G.S. 58-86-50 is repealed.

SECTION 2.(h) G.S. 58-86-60 reads as rewritten:

"**§ 58-86-60. Payments in lump sums.**

The board shall direct payment in lump sums from the fund in the following cases:

(1) To any fireman or rescue squad worker upon the attaining of the age of 55 years, who, for any reason, is not qualified to receive the monthly retirement pension and who was enrolled as a member of the fund, an amount equal to the amount paid into the fund by him. This provision shall not be construed to preclude any active fireman or rescue squad worker from completing the requisite number of years of active service after attaining the age of 55 years necessary to entitle him to the pension.

(2) If any fireman or rescue squad worker dies before attaining the age at which a pension is payable to him under the provisions of this Article, there shall be paid to his widow, or if there be no widow, 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 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."

SECTION 3.(d) G.S. 135-5(c) reads as rewritten:

"(c) Disability Retirement Benefits of Members Leaving Service Prior to January 1, 1988. – The provisions of this subsection shall not be applicable to members in service on or after January 1, 1988. 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 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%) 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.(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 aforestated 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 aforestated 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

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 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.

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%).

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.
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."

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 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.

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

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 90-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."

SECTION 4.(b) G.S. 135-10.1 reads as rewritten:

"**§ 135-10.1. 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 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 90-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."

SECTION 5.(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 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 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, 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.

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 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 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 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 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 5.(c) 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

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 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 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 of the retirement allowance in effect immediately prior to the effective date of the new nomination. Any member having elected Options two, three, or six 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.

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 designation duly acknowledged and filed with the Board of Trustees at the time of his retirement; or

Option four. 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 ~~Table~~ 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 five. For Members Retiring prior to July 1, 1993. – The member may elect to receive a reduced retirement allowance under the conditions of Option two or Option three, 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 1/120th 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 six. A member may elect either Option two or Option three 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.

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 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.(e) 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 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. 128-26, 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 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 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 5.(f) 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

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.

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 6.(a) 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 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 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 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after January 1, 1999, but before July 1, 2004, 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 six thousand dollars ($6,000) 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 2004, but before July 1, 2007, 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 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 2007, 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 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.(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 purposes of this death benefit "in service" means currently serving as a member of the North Carolina General Assembly. "In service" also means 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 service begins during the member's term of office. 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.

The death benefit provided by this section shall be designated a group life insurance benefit payable under an employee welfare benefit plan that is separate and apart from the Retirement System but under which the members of the Retirement System shall participate and be eligible for group life insurance benefits. The Board of Trustees is authorized to provide the death benefit in the form of group life insurance either by purchasing a contract or contracts of group life insurance with any life insurance company or companies licensed and authorized to transact business in the State of North Carolina for the purpose of insuring the lives of qualified members in service, or by establishing or affiliating with a separate trust fund qualified under Section 501(c)(9) of the Internal Revenue Code of 1954, as amended.

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, 1988, but before January 1, 1999, 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 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 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 January 1, 1999, but before July 1, 2004, 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 six thousand dollars ($6,000) 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, 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.

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 where the member is promoted retroactively."

SECTION 7.(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 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.

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 where the member is promoted retroactively."

SECTION 8.(a) G.S. 135-3(8) is amended by adding a new sub-subdivision to read:

"c1. Within 90 days of the end of each month in which a beneficiary is reemployed under the provisions of sub-subdivision c. of this subdivision, each employer shall provide a report for that month on each reemployed beneficiary, including the terms of the reemployment, the date of the reemployment, and the amount of the monthly compensation. If such a report is not received within the required 90 days, the Board shall assess the employer with a penalty of ten percent (10%) of the compensation of the unreported reemployed beneficiaries during the months for which the employer did not report the reemployed beneficiaries, with a minimum penalty of twenty-five dollars ($25.00)."

SECTION 8.(b) G.S. 128-24(5) is amended by adding a new sub-subdivision to read:

"c1. Within 90 days of the end of each month in which a beneficiary is reemployed under the provisions of sub-subdivision c. of this subdivision, each employer shall provide a report for that month on each reemployed beneficiary, including the terms of the reemployment, the date of the reemployment, and the amount of the monthly compensation. If such a report is not received within the required 90 days, the Board shall assess the employer with a penalty of ten percent (10%) of the compensation of the unreported reemployed beneficiaries during the months for which the employer did not report the reemployed beneficiaries, with a minimum penalty of twenty-five dollars ($25.00)."

SECTION 9. G.S. 135-5(c), amended by Section 3(d) of this act, reads as rewritten:

"(c) Disability Retirement Benefits of Members Leaving Service Prior to January 1, 1988. – The provisions of this subsection shall not be applicable to members in service on or after January 1, 1988. 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 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 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

accumulated contributions, plus (ii) the member's final compensation; provided, however, that if the member has attained his fiftieth birthday with at least five years of membership service at his date of death, and if the designated recipient of the death benefits is the member's spouse who survives him, and if the spouse so elects, then the lump-sum death benefit provided for herein shall consist only of a payment equal to the member's final compensation and there shall be paid to the surviving spouse an annual retirement allowance, payable monthly, which shall commence on the first day of the calendar month coinciding with or next following the death of the member and shall be continued on the first day of each month thereafter until the remarriage or death of the spouse. The amount of any such retirement allowance shall be equal to one half of the amount of the retirement allowance to which the member would have been entitled had he retired under the provisions of G.S. 135-57(a) on the first day of the calendar month coinciding with or next following his date of death, reduced by two percent (2%) thereof for each full year, if any, by which the age of the member at his date of death exceeds that of his spouse. If the retirement allowance to the spouse shall terminate on the remarriage or death of the spouse before the total of the retirement allowance payments made equals the amount of the member's accumulated contributions at date of death, the excess of such accumulated contributions over the total of the retirement allowances paid to the spouse shall be paid in a lump sum to such person as the member 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 is living at the time such payment falls due, otherwise to the former member's legal representatives."

SECTION 11.(b) G.S. 135-63(c) reads as rewritten:

"(c) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a member not 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 member's accumulated contributions."

SECTION 11.(c) G.S. 135-64(c) reads as rewritten:

"(c) In the event of the death of a former member while in receipt of a retirement allowance under the provisions of G.S. 135-58, 135-60, or 135-61, if such former member is not survived by a spouse to whom a retirement allowance is payable under the provisions of subsection (a) or subsection (b) above, nor survived by a beneficiary to whom a monthly survivorship benefit is payable under one of the optional modes of payment under G.S. 135-61, there shall be paid to such person as the member 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 is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions of the member at his date of retirement over the total of the retirement allowances paid to him prior to his death."

SECTION 11.(d) G.S. 135-64(d) reads as rewritten:

"(d) In the event that a retirement allowance becomes payable to the spouse of a former member under the provisions of subsection (a) or subsection (b) above, or to the designated survivor of a former member under one of the optional modes of payment under G.S. 135-61, and such retirement allowance to the spouse shall terminate on the remarriage or death of the spouse, or on the death of the designated survivor, before the total of the retirement allowances paid to the former member and his spouse or designated survivor combined equals the amount of the member's accumulated contributions at his date of retirement, the excess of such accumulated contributions over the total of the retirement allowances paid to the former member and his spouse or designated survivor combined shall be paid in a lump sum to such

person as the member 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 is living at the time such payment falls due, otherwise to the former member's legal representatives."

SECTION 11.(e) G.S. 135-5(f) reads as rewritten:

"(f) Return of Accumulated Contributions. – Should a member cease to be a teacher or State employee except by death or retirement under the provisions of this Chapter, he shall upon submission of an application be paid, not earlier than 60 days from the date of termination of service, his contributions, and if he has attained at least five years of membership service or if termination of his membership service is involuntary as certified by the employer, the accumulated regular interest thereon, provided that he has not in the meantime returned to service. Upon payment of such sum his membership in the System shall cease and, if he thereafter again becomes a member, no credit shall be allowed for any service previously rendered except as provided in G.S. 135-4, and such payment shall be in full and complete discharge of any rights in or to any benefits otherwise payable hereunder. 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 such person or persons 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 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 (m) below. An extension service employee who made contributions to the Local Governmental Employees' Retirement System and the Teachers' and State Employees' Retirement System as a result of dual employment may not be paid his accumulated contributions unless he is eligible to be paid his accumulated contributions in both systems for the same period of service.

Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated contributions to the Consolidated Judicial Retirement System or to the Supplemental Retirement Income Plan and forfeit any rights in or to any benefits otherwise payable hereunder.

A member who is a participant or beneficiary of the Disability Income Plan of North Carolina as is provided in Article 6 of this Chapter shall not be paid a return of accumulated contributions, notwithstanding the member's status as an employee or teacher. Notwithstanding any other provision of law to the contrary, a member who is a beneficiary of the Disability Income Plan of North Carolina as provided in Article 6 of this Chapter and who is receiving disability benefits under the transition provisions as provided in G.S. 135-112, shall not be prohibited from receiving a return of accumulated contributions as provided in this subsection."

SECTION 11.(f) G.S. 135-5(g1), as amended by Section 5(b) of this act, 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 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 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 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 11.(g) G.S. 135-5(l), as amended by Section 6(a) of this act, 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 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 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after January 1, 1999, but before July 1, 2004, 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 six thousand dollars ($6,000) 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 2004, but before July 1, 2007, 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 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 2007, 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 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 11.(h) G.S. 128-27(f) reads as rewritten:

"(f) Return of Accumulated Contributions. – Should a member cease to be an employee except by death or retirement under the provisions of this Chapter, he shall upon submission of an application be paid, not earlier than 60 days from the date of termination of service, his contributions and, if he has attained at least five years of membership service or if termination of his membership service is involuntary as certified by the employer, the accumulated regular interest thereon, provided that he has not in the meantime returned to service. Upon payment of such sum his membership in the System shall cease and, if he thereafter again becomes a member, no credit shall be allowed for any service previously rendered except as provided in G.S. 128-26; and such payment shall be in full and complete discharge of any rights in or to any benefits otherwise payable hereunder. 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 such person or persons 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 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 (m) below. An extension service employee who made contributions to the Local Governmental Employees' Retirement System and the Teachers' and State Employees' Retirement System as a result of dual employment may not be paid his accumulated contributions unless he is eligible to be paid his accumulated contributions in both systems for the same period of service.

Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated contributions to the Consolidated Judicial Retirement System or to the Supplemental Retirement Income Plan and forfeit any rights in or to any benefits otherwise payable hereunder."

SECTION 11.(i) G.S. 128-27(g1), as amended by Section 5(e) of this act, 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 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 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. 128-26, 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 11.(j) G.S. 128-27(l), as amended by Section 6(b) of this act, 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 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 <u>electronic submission prior to completing 10 years of service in a form approved by the Board of Trustees or by</u> 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:

"(3) Should any member in any period of six consecutive years after becoming a member be absent from service more than five years, or should he withdraw his accumulated contributions, or should he become a beneficiary or die, he shall thereupon cease to be a member: Provided that on and after July 1, 1967, should any member in any period of eight consecutive years after becoming a member be absent from service more than seven years, or should he withdraw his accumulated contributions, or should he become a beneficiary or die, he shall thereupon cease to be a member; provided further that the period of absence from service shall be computed from January 1, 1962, or later date of separation for any member whose contributions were not withdrawn prior to July 1, 1967: Provided that on and after July 1, 1971, a member shall cease to be a member only if he withdraws his accumulated contributions, or becomes a beneficiary, or dies.

Notwithstanding the foregoing, any persons whose membership was terminated under the provisions set forth above who had five or more years of creditable service and had not effected a return of contributions may elect to receive a retirement allowance on or after age 60; provided that this member may retire only upon electronic submission or written application to the Board of Trustees setting forth at which time, not less than 30 days nor more than 90 days subsequent to the execution and filing, he desires to be retired."

SECTION 12.(b) G.S. 135-3(8), as amended by Section 8(a) of this act, reads as rewritten:

"(8) The provisions of this subsection (8) shall apply to any member whose membership is terminated on or after July 1, 1963 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. 135-5(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 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; and further provided that in the case of a member who so separates from service on or after July 1, 1967, or whose account is active on July 1, 1967, or has not withdrawn his contributions, the aforestated 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 aforestated 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 an eligible former law enforcement officer. Notwithstanding the foregoing, any member 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 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

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 90 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 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 permanent full-time or part-time capacity that exceeds fifty percent (50%) of the applicable workweek in a public school. The Department of Public Instruction shall certify to the Retirement System that a beneficiary is employed to teach by a local school administrative unit under the provisions of this sub-subdivision and as a retired teacher as the term is defined under the provisions of G.S. 115C-325(a)(5a).

The computation of postretirement earnings of a beneficiary under this sub-subdivision, who retired after October 1, 2007, 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 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 permanent full-time or part-time capacity that exceeds fifty percent (50%) of the applicable workweek in a public school. The Department of Public Instruction shall certify to the Retirement System that a beneficiary is employed to teach by a local school administrative unit under the provisions of this sub-subdivision and as a retired teacher as the term is defined under the provisions of G.S. 115C-325(a)(5a).

Beneficiaries employed under this sub-subdivision are not entitled to any benefits otherwise provided under this Chapter as a result of this period of employment.

c1. Employers shall report each reemployment covered by the provisions of sub-subdivision c. of this subdivision within 90 days of the reemployment, including the nature of the reemployment, the date of the reemployment, and the compensation. If such a report is not received within the required 90 days, the Board shall assess the employer with a penalty of one percent (1%) per month with a minimum penalty of twenty-five dollars ($25.00).

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.
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)."

SECTION 12.(f) G.S. 128-24(5), as amended by Sections 3(h) and 8(b) of this act, 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 <u>electronic submission or</u> 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; and further provided that in the case of a member who so separates from service on or after July 1, 1967, the aforestated 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 aforestated 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 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%).

c1. Employers shall report each reemployment covered by the provisions of sub-subdivision c. of this subdivision within 90 days of the reemployment, including the nature of the reemployment, the date of the reemployment, and the compensation. If such a report is not received within the required 90 days, the Board shall assess the employer with a penalty of one percent (1%) per month with a minimum penalty of twenty-five dollars ($25.00).

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.
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."

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 <u>electronic submission or</u> 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 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.

HOUSE BILL 642:
Retirement Technical Corrections

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	May 26, 2009
Introduced by:	Rep. Tucker	**Prepared by:**	Karen Cochrane-Brown
Analysis of:	Second Edition		Committee Counsel

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 allows 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.
- 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.

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-105(e2) v1

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 642 (Second Edition)

SHORT TITLE: Retirement Technical Corrections.

SPONSOR(S): Representative Tucker

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 rescuc

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 29, 2009

Signed Copy Located in the NCGA Principal Clerk's Offices

buckconsultants
an ACS company

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.

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

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

RAM:km
\NC\COR\90324RM1.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

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;

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 Hartman

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

MVH/mt

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H 2

HOUSE BILL 1073
Committee Substitute Favorable 5/13/09

Short Title: Fire and Rescue Pension Withdrawal Change. (Public)

Sponsors:

Referred to:

April 6, 2009

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND WHO WITHDRAW FROM MEMBERSHIP WITH FIVE YEARS OR MORE OF CONTRIBUTING SERVICE ARE ENTITLED TO THE RETURN OF ALL FUNDS AND TO REPEAL THE AUTHORIZATION FOR AN ADMINISTRATIVE FEE TO BE APPLIED TO THOSE WITHDRAWALS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-86-60(4) reads as rewritten:

"(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. Notwithstanding the foregoing, if any person, firm, corporation, or other entity has made contributions on behalf of a member who has less than five years of contributing service 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 2. This act is effective when it becomes law.

Attachment 2

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H D

HOUSE BILL 1073
Committee Substitute Favorable 5/13/09
PROPOSED SENATE COMMITTEE SUBSTITUTE H1073-CSSH-51 [v.2]

5/26/2009 6:15:38 PM

Short Title: Fire and Rescue Pension Withdrawal Change. (Public)

Sponsors:

Referred to:

April 6, 2009

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND WHO WITHDRAW FROM MEMBERSHIP WITH FIVE YEARS OR MORE OF CONTRIBUTING SERVICE ARE ENTITLED TO THE RETURN OF ALL FUNDS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-86-60(4) reads as rewritten:

"(4) Any member with five or more years of contributing service and who withdraws ~~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. ~~Notwithstanding the foregoing, if any~~ If any member who has less than five years of contributing service made contributions, or any person, firm, corporation, or other entity has made contributions on behalf of ~~a~~ that member and that member withdraws from the fund, the member, 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 2. This act is effective when it becomes law.

HOUSE BILL 1073:
Fire and Rescue Pension Withdrawal Change

2009-2010 General Assembly

Committee:	Senate Ref to Pensions & Retirement & Aging. If fav, re-ref to Appropriations/Base Budget	**Date:**	May 26, 2009
Introduced by:	Rep. Lewis	**Prepared by:**	Theresa Matula Committee Staff
Analysis of:	PCS to Second Edition H1073-CSSH-51		

SUMMARY: ***The Proposed Committee Substitute for House Bill 1073 allows Fire and Rescue Pension Fund members with five or more years of contributing service and who withdraw from the fund to receive both money contributed by the member directly, and money contributed on behalf of the member. Fire and Rescue Pension Fund members with less than five years of contributing service and who withdraw from the fund will receive money that the individual contributed to the fund, but money contributed on behalf of the member will be returned to the entity that made the contribution.***

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:

The Proposed Committee Substitute for House Bill 1073 allows a member of the Fire and Rescue Pension Fund with five or more years of contributing service and who withdraws from the fund to receive all the contributions that the individual made and any made on his behalf, less a $25.00 administrative fee. Fire and Rescue Pension Fund members with less than five years of contributing service and who withdraw from the fund will receive money that the individual contributed to the fund, but money contributed on behalf of the member will be returned to the entity that made the contribution, less a $25.00 administrative fee.

EFFECTIVE DATE:

House Bill 1073 would become effective when it becomes law.

H1073-SMSH-128(CSSH-51) v1

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 1073 (Second Edition)

SHORT TITLE: Fire and Rescue Pension Withdrawal Change.

SPONSOR(S): Representative Lewis

FUNDS AFFECTED: General Fund

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

EFFECTIVE DATE: When it becomes law

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, with five or more years of service, will be eligible to 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: Marilyn Chism, Director
Fiscal Research Division

DATE: May 14, 2009

Official
Fiscal Research Division
Publication

Signed Copy Located in the NCGA Principal Clerk's Offices

buckconsultants
an ACS company

May 12, 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 – Proposed Committee Substitute

Dear Mr. Vanderweide:

We have received your request of May 11 regarding the proposed Committee Substitute of 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 members who withdraw from membership. However, if the contributions were made on the member's behalf by any person, firm, corporation or other entity and the member had less than five years of creditable service, the refund shall be paid to that person, firm, corporation 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

RAM:km
\NC\COR\90511RM1.DOC

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

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 11, 2009

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

Re: House Bill 1073 Proposed Committee Substitute (H1073-CSLL-35 [v.5]): An Act to Provide That Members of the Fire and Rescue Pension Fund Who Withdraw With Five Years of Service Are Entitled to the Return of All Funds

Dear Mr. Moore:

This proposed committee substitute to the 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 after completing at least five years of service, 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. This change is not expected to have a financial impact on the FRSW Pension Fund.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H 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.

Attachment 3

HOUSE BILL 1221:
Develop Employee Benefits Statement

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	May 26, 2009
Introduced by:	Reps. Folwell, Crawford, Gibson, Avila	**Prepared by:**	Theresa Matula
Analysis of:	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-126(e2) v1

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — May 27, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Carol Taylor	Nurse of the Day
David Anders	PFFPNC
Donald Rogerson	PFFPNC
Rebecca Troutman	NCACC
Penny Hufft	School of Gov
Rachel O'Brien	PFFPNC

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — May 27, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Emily Doyle	NCPAPA
Pam Deardorff	NC Retired School Personnel
Ed Regan	NC Retired Gov'tal Employees Assoc.
Paul Meyer	NCLM
A. Pully	NCDST
David Starling	NCDST
David Vanderweide	NCDST
Allan Beckmann	NCDST
Michael Williamson	NCDST
Christopher Jones	NCDST
Fred Baron	Baron & Asso.

Senate Pensions & Retirement & Aging Committee
Wednesday, July 8, 2009, 12:00 Noon
LOB, Rm 423

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

HB 816	Clarify Local Special Separation Allowance.	Representative Cotham Representative Dollar Representative McLawhorn Representative Weiss

Presentations

Other Business

Adjournment

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

PENSIONS & RETIREMENT & AGING COMMITTEE REPORT
Senator Tony Foriest, Chair

Thursday, July 09, 2009

Senator FORIEST,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 1, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL

H.B.(CS #1) **816** Clarify Local Special Separation Allowance.

Draft Number:	70468
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 1

Committee Clerk Comments:

HB 816 (McKissick)

MINUTES

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE
Wednesday, July 8, 2009
12:00 p.m.
Room 423, Legislative Office Building

The Senate Pensions & Retirement & Aging Committee met at approximately 12:05 p.m. on Wednesday, July 8, 2009, in Room 423 of the Legislative Office Building. Eight members were present. Fiscal and Research Division staff were present and the Committee Clerk was in attendance. The agenda and visitor registration sheet(s) are attached.

Chairman Foriest called the meeting to order and introduced the pages and sergeant-at-arms staff.

HB 816 – Clarify Local Special Separation Allowance (Attachment 1)

Chairman Foriest recognized Representative Cotham to explain HB 816, an act to clarify the law regarding the special separation allowance provided to law enforcement officers under the local governmental retirement system. Senator Swindell motioned to accept the accompanying PCS for consideration. The motion was carried. The PCS clarifies that a local government employer may hire a retired officer in a public safety position in a capacity not requiring participation in the Retirement System. It also adds a new Section 2, which clarifies how the act will be applied. Representative Cotham explained that the HB 816 was a bi-partisan bill endorsed by such law enforcement agencies including the Police Benevolent Association, sheriffs, the League of Municipalities, and the Fraternal Order of the Police.

Senator Swindell motioned for a favorable report – unfavorable as to original bill, favorable adoption of the PCS. The motion was carried.

The meeting was adjourned at approximately 12:10 p.m.

Senator Anthony Foriest, Chair Presiding

Jacqueline F. Ray, Committee Clerk

(NOTE: Minutes were assembled for library use after the Presiding Chair left office and vacated the NCGA.)

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H 2

HOUSE BILL 816*
Committee Substitute Favorable 5/7/09

Short Title: Clarify Local Special Separation Allowance. (Public)

Sponsors:

Referred to:

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 officers~~every 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.

(b) As used in this section, "creditable service" means the service for which credit is allowed under the retirement system of which the officer is a member, provided that at least fifty percent (50%) of the service is as a law enforcement officer as herein defined.

Attachment 1

(c) Payment to a retired officer under the provisions of this section shall cease at the first of:

(1) The death of the officer;

(2) The last day of the month in which the officer attains 62 years of age; or

(3) The first day of reemployment by a local government employer in any capacity.

Notwithstanding the provisions of subdivision (3) of this subsection, a local government employer may, in the interest of public safety, voluntarily adopt a policy allowing employment of retired officers on a contractual basis, or in a temporary or reserve capacity not requiring participation in the Local Governmental Employees' Retirement System, without causing the cessation of payment to those officers under this section.

(d) This section does not affect the benefits to which an individual may be entitled from State, local, federal, or private retirement systems. The benefits payable under this section shall not be subject to any increases in salary or retirement allowances that may be authorized by local government employers or for retired employees of local governments.

(e) The governing body of each local employer shall determine the eligibility of employees for the benefits provided herein.

(f) The governing body of each local employer shall make the payments set forth in subsection (a) of this section to those persons certified under subsection (e) of this section."

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

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H D

HOUSE BILL 816*
Committee Substitute Favorable 5/7/09
PROPOSED SENATE COMMITTEE SUBSTITUTE H816-CSRO-71 [v.1]

7/7/2009 3:43:27 PM

Short Title: Clarify Local Special Separation Allowance. (Public)

Sponsors:

Referred to:

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 EMPLOYEES' 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 officers~~ every 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.

(b) As used in this section, "creditable service" means the service for which credit is allowed under the retirement system of which the officer is a member, provided that at least fifty percent (50%) of the service is as a law enforcement officer as herein defined.

(c) Payment to a retired officer under the provisions of this section shall cease at the first of:

(1) The death of the officer;

(2) The last day of the month in which the officer attains 62 years of age; or

(3) The first day of reemployment by a local government employer in any capacity.

Notwithstanding the provisions of subdivision (3) of this subsection, a local government employer may employ retired officers in a public safety position in a capacity not requiring participation in the Local Governmental Employees' Retirement System, and doing so shall not cause payment to cease to those officers under the provisions of this section.

(d) This section does not affect the benefits to which an individual may be entitled from State, local, federal, or private retirement systems. The benefits payable under this section shall not be subject to any increases in salary or retirement allowances that may be authorized by local government employers or for retired employees of local governments.

(e) The governing body of each local employer shall determine the eligibility of employees for the benefits provided herein.

(f) The governing body of each local employer shall make the payments set forth in subsection (a) of this section to those persons certified under subsection (e) of this section from funds available."

SECTION 2. Nothing in this act shall be deemed to (i) entitle a law enforcement officer to retroactive payments of any benefit for the period prior to the effective date of this act for which the officer's employer previously determined that the officer was not entitled; (ii) prospectively deny payment of an annual separation allowance to an officer who was previously determined by the officer's employer to be eligible for such benefit; (iii) apply to any pending litigation related to the special separation allowance; or (iv) extend the payment beyond the date when payment shall cease pursuant to G.S. 143-166.42(c), as enacted by Section 1 of this act.

SECTION 3. This act is effective when it becomes law and applies prospectively to payments required by this act whether the officer retired before, on, or after the effective date of this act.

HOUSE BILL 816:
Clarify Local Special Separation Allowance

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	July 7, 2009
Introduced by:	Reps. Cotham, Dollar, McLawhorn, Weiss	**Prepared by:**	Karen Cochrane-Brown Committee Counsel
Analysis of:	PCS to Second Edition H816-CSRO-71		

SUMMARY: House Bill 816 amends the law relating to the special separation allowance paid to retired local law enforcement officers.

The PCS clarifies that a local government employer may hire a retired officer in a public safety position in a capacity not requiring participation in the Retirement System. It also adds a new Section 2 which clarifies how the act will be applied.

[As introduced, this bill was identical to S986, as introduced by Sen. McKissick, which is currently in House Pensions and Retirement.]

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, to employ a retired officer in a public safety position in a capacity 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 clarifies that nothing in the act shall be deemed to:

- Entitle an officer to retroactive payments for any period prior to the effective date that the employer previously determined that the officer was not entitled.
- Prospectively deny payments of an annual separation allowance to an officer whose employer previously determined that the officer was eligible for the benefit.
- Apply to any pending litigation.
- Extend payment beyond the date when it would ordinarily cease under this act.

EFFECTIVE DATE: This act is effective when it becomes law and applies prospectively to payments required by this act whether the officer retired before, on, or after the effective date of this act.

H816-SMRO-145(CSRO-71) v1

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

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

---

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 GOVERMENTS:
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:

	2009-10	2010-11	2011-12	2012-13	2013-14
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

buckconsultants
an ACS company

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.

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

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

Year	Additional Special Separation Allowance
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

buckconsultants
an ACS company

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 Hartman

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

MVH/mt

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — July 8, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Thomas C. Caves, Jr.	NC Dept. of Crime Control & Public Safety
Allan Beckmann	NC DST
Christopher Jones	NC DST
David Anders	PFFPNC
Donald Ragan	PFFPNC
Lisa Ragan	
Rick O'Brien	PFFPNC
Paul Meyer	NCLM
David Vanderwelde	NCDST
David Starling	NCDST

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — July 8, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Brock Davis-Yerums	Intern - Sen. Atwater
Jim Blackburn	NC Association of County Commissioners
Randy Byrd	NC Police Benevolent Assoc.
Eddie Caldwell	NC Sheriffs' Assn.
Ed Regan	NCRGEA
Tony Solari	DST.
Frank Bona	Bona & Assoc.
Alicia Davis	MWC
Jane Cox	Forsyth County
Mary Foreman	NCAE
Victoria Hawkins	Bone & Assoc.

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

PENSIONS & RETIREMENT & AGING COMMITTEE REPORT
Senator Tony Foriest, Chair

Tuesday, August 04, 2009

Senator FORIEST,
submits the following with recommendations as to passage:

FAVORABLE

H.B.(CS #2) **1160** Fire and Rescue Pension Fund Additions.
Sequential Referral: None
Recommended Referral: None

TOTAL REPORTED: 1

Committee Clerk Comments:

HB 1160 - Senator Foriest

MINUTES

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE
Tuesday, August 4, 2009
4:20 p.m.
Senate Chambers, Legislative Building

The Senate Pensions & Retirement & Aging Committee met at approximately 4:20 p.m. on Tuesday, August 4, 2009, in the Senate Chambers of the Legislative Building. Six members were present. Fiscal and Research Division staff were present and the Committee Clerk was in attendance. There was neither an agenda nor visitor registration sheet.

Chairman Foriest called the meeting to order for discussion of 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 1). The primary sponsors of HB 1160 are Representatives Wray and Goforth. Upon motion, HB 1160 was given a favorable report by the Committee members. The motion was carried.

The meeting was adjourned at approximately 4:25 p.m.

Senator Anthony Foriest, Chair Presiding

Jacqueline F. Ray, Committee Clerk

(NOTE: Minutes were assembled for library use after the Presiding Chair left office and vacated the NCGA.)

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H 3

HOUSE BILL 1160

Committee Substitute Favorable 5/7/09
Committee Substitute #2 Favorable 6/17/09

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. 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.

Attachment 1

Senate Pensions & Retirement & Aging Committee
Wednesday, June 16, 2010, 12:00 Noon
Room 423

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

SB 1251	State Health Plan/Treat Teachers Equitably.	Senator Blue
SB 1256	Brevard Academy/Retirement Election.	Senator Snow
SB 1356	Increase Wilkesboro Firemen's Pension.	Senator Goss
HB 1934	Amend Charlotte Firefighters' Retirement.	Representative Alexander
HB 1935	Mecklenburg Law Enforce.Cap Upped/Stipend	Representative Alexander
HB 1695	Repeal Waynesville Firemen's Supp. Pension.	Representative Rapp Representative Haire

Presentations

Other Business

Adjournment

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

PENSIONS & RETIREMENT & AGING COMMITTEE REPORT
Senator Tony Foriest, Chair

Wednesday, June 16, 2010

Senator Foriest
submits the following with recommendations as to passage:

FAVORABLE

S.B. **1256** Brevard Academy/Retirement Election.
Sequential Referral: None
Recommended Referral: None

S.B. **1356** Increase Wilkesboro Firemen's Pension.
Sequential Referral: None
Recommended Referral: None

H.B. **1695** Repeal Waynesville Firemen's Supp. Pension.
Sequential Referral: Finance
Recommended Referral: None

H.B.(CS #1) **1934** Amend Charlotte Firefighters' Retirement.
Sequential Referral: None
Recommended Referral: None

H.B.(CS #1) **1935** Mecklenburg Law Enforce.Cap Upped/Stipend
Sequential Referral: None
Recommended Referral: None

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL

S.B. **1251** State Health Plan/Treat Teachers Equitably.
Draft Number: PCS35469
Sequential Referral: None
Recommended Referral: None
Long Title Amended: No

TOTAL REPORTED: 6

Committee Clerk Comments:

H.B. 1934 - Senator Graham
H.B. 1935 - Senator Graham
H.B. 1695 - Senator Queen

MINUTES

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE
Wednesday, June 16, 2010
12:00 p.m.
Room 423, Legislative Office Building

The Senate Pensions & Retirement & Aging Committee met at 12:00 p.m. on Wednesday, June 16, 2010, in Room 423 of the Legislative Office Building. Nine members were present. Fiscal and Research Division staff were present and the Committee Clerk was in attendance. The agenda and visitors registration sheet(s) are attached.

Chairman Foriest called the meeting to order and introduced the pages and sergeant-at-arms staff. The agenda order was slightly changed.

SB 1256 – Brevard Academy/Retirement Election (Attachment 1)

Chairman Foriest recognized Senator Snow to explain SB 1256, 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. Brevard Academy is a public charter school in Transylvania County serving grades K-8 with an enrollment of 180 children, with the capacity to serve 200, and labeled as a school of distinction. Brevard Academy has a total of 18 faculty and staff. SB 1256 is designed to allow participation in the State Health Plan and State Retirement System and waive the application period granting an additional 30-day period after this bill is passed in order that faculty and staff can apply and become a part of the State Health Plan and the State Retirement System.

The fiscal note related to the bill has an estimated cost for FY 2010-2011 of $44,340 if Brevard Academy elects to participate in the Plan. The additional cost impact of the bill is projected to impact total claims growth by approximately two thousandths of one percent (0.002%) for the FY 2010-2011 based on the highest estimate of additional cost (i.e., $44,340).

There was brief question and answer session related to the number of charter schools in the State Retirement System and the State Health Plan. Stanley Moore of the Fiscal Research Division addressed the Committee noting that there were approximately 54 charter schools in the State Health Plan and 46 charter schools in the Retirement System.

Senator Bingham motioned for a favorable report of SB 1256. The motion was carried.

SB 1251 – State Health Plan/Treat Teachers Equitably (Attachment 2)

Chairman Foriest recognized Senator Blue to explain SB 1251, an act to grant the same health benefit coverage currently provided to other state employees to teachers who have worked a full school year. Senator Bingham motioned to accept the accompanying proposed committee substitute (PCS) which makes technical and clarifying changes. The motion was second and carried.

The PCS to SB 1251 attempts to address an inequity granting the same health benefit coverage provided to other state employees to teachers who have worked a full school year or who have completed a contract term of employment of 10 or 11 months and whose employing unit is a local school administrative unit. The current state law provides that state employees who have been employed for 12 or more months by an employing unit, and whose jobs are eliminated because of a reduction in funds used to support the job, are eligible for coverage under the State Health Plan on a noncontributory basis, if the employees were covered by the Plan at the time of separation from service due to job elimination. The estimated fiscal impact of the bill would be negligible.

Senator Bingham motioned for a favorable report of SB 1251 - unfavorable report as to original bill, favorable adoption of the PCS. The motion was carried.

SB 1356 – Increase Wilkesboro Firemen's Pension (Attachment 3)

Chairman Foriest recognized Senator Goss to explain SB 1356, an act to increase the monthly benefit to members of the Wilkesboro Firemen's Supplemental Pension Fund. SB 1356 ties the monthly pensions of the Supplement 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. 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. 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.

Senator Bingham motioned for a favorable report of SB 1356. The motion was carried.

HB 1934 – Amend Charlotte Firefighters' Retirement (Attachment 4)

Chairman Foriest recognized Senator Malcolm Graham to explain HB 1934, 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.

HB 1934 will allow for the payment of any remaining contributions made by the member and City of Charlotte plus four percent (4%) accrued interest to the designated beneficiary for the return of contributions after the death of a retiree and beneficiary (in case of an optional form of payment). The estimated fiscal impact of the bill would be negligible.

Senator Dorsett motioned for a favorable report of HB 1934. The motion was carried.

HB 1935 – Mecklenburg Law Enforcement Benefit Cap Upped/Stipend (Attachment 5)

Chairman Foriest recognized Senator Malcolm Graham to explain HB 1935, an act to raise the ceiling for benefits and to add a stipend for minor children under the emergency pension fund for sworn law enforcement officers of Mecklenburg County.

HB 1935 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.

Senator Stevens motioned for a favorable report of HB 1935. The motion was carried.

HB 1695 – Repeal Waynesville Firemen's Supplemental Pension (Attachment 6)

Chairman Foriest recognized Representative Rapp to explain HB 1695, an act to repeal the provisions establishing the Waynesville Firemen's Supplemental Retirement Fund.

HB 1695 repeals the Waynesville Firemen's Supplemental Retirement Fund and transfers funds to the newly created Board of Trustees of the Local Firemen's Relief Fund of the Town of Waynesville.

Senator Purcell motioned for a favorable report of HB 1695. The motion was carried.

The meeting was adjourned at 12:20 p.m.

Senator Anthony Foriest, Chair Presiding

Jacqueline F. Ray, Committee Clerk

(NOTE: Minutes were assembled for library use after the Presiding Chair left office and vacated the NCGA.)

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 1256*

Short Title:	Brevard Academy/Retirement Election.	(Public)
Sponsors:	Senator Snow.	
Referred to:	Pensions & Retirement & Aging.	

May 20, 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.

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.

Attachment 1

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: Senate Bill 1256 (First Edition)

SHORT TITLE: Brevard Academy/Retirement Election.

SPONSOR(S): Senator Snow

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: Permits the boards of directors of Brevard Academy, located in Brevard, to become participating employers in the Teachers' and State Employees' Retirement System within 30 days after the act becomes law.

ESTIMATED IMPACT ON STATE: Both, Buck Consultants, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost would be negligible based on the demographics of the System and the census data for the active employees of the school.

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.

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 24, 2010

Signed Copy Located in the NCGA Principal Clerk's Offices

buckconsultants

A Xerox Company

May 21, 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 1778/Senate Bill 1256

Dear Mr. Vanderweide:

We have received your letter of May 19 regarding House Bill 1778, which is equivalent to Senate Bill 1256 and which affects the Teachers' and State Employees' Retirement System. We have also received your email containing the data for the Brevard Academy, which included 18 active employees with an average age of 40 years.

This legislation appears to amend the statutes governing charter schools to allow the Brevard Academy, which had previously declined membership, another opportunity to elect to participate in the Teachers' and State Employees' Retirement System in accordance with Article 1 of Chapter 135 of the General Statutes. This election shall be made no later than 30 days after the effective date of this new Act.

Based on the results of the December 31, 2008 valuation of the Retirement System and the data we received for the Brevard Academy, the cost to the Retirement System for this 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.

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

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\00519RM1.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

May 20, 2010

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

Re: House Bill 1778/Senate Bill 1256: An Act to Allow an Existing Charter School to Participate in the TSERS

Dear Mr. Moore:

These bills provide an opportunity for one existing charter school, Brevard Academy, to elect to participate in the North Carolina Teachers' and State Employees' Retirement System (TSERS). Currently, G.S. 135-5.3 (b) provides that the Board of Directors of each charter school must make an irrevocable election to join the retirement system, 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 TSERS 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.

This bill does not grant credit for service prior to the effective date. Thus, if the employee demographics of the charter school are similar to those of current covered employees in the TSERS, the current rates of providing retirement, death, disability, and retiree health benefits would be applied to the payroll of covered employees in the charter school. I reviewed the census data for 16 active employees of the school. The demographics are comparable with the TSERS data. Based on the demographics and the low number of potential members, I do not expect this bill to have a material impact on the TSERS.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

HEALTH BENEFITS

BILL NUMBER: Senate Bill 1256 (First Edition)

SHORT TITLE: Brevard Academy/Retirement Election.

SPONSOR(S): Senator Snow

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: Senate Bill 1256 (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												
	Active Employees			Dependents of Active Employees			Retired Employees			Dependents of Retired Employees		
Ages	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

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 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%**	

II. Enrollment by Contract	Basic	Standard	Total
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
Total	**16,116**	**463,885**	**480,001**

Percent Enrollment by Contract	Basic	Standard	Total
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%
Total	**100.0%**	**100.0%**	**100.0%**

III. Enrollment by Sex	Basic	Standard	Total
Female	22,479	390,209	412,688
Male	19,804	228,840	248,644
Total	**42,283**	**619,049**	**661,332**

Percent Enrollment by Sex	Basic	Standard	Total
Female	53.2%	63.0%	62.4%
Male	46.8%	37.0%	37.6%
Total	**100.0%**	**100.0%**	**100.0%**

IV. Enrollment by Age	Basic	Standard	Total
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
Total	**42,283**	**619,049**	**661,332**

Percent Enrollment by Age	Basic	Standard	Total
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%
Total	**100.0%**	**100.0%**	**100.0%**

V. Retiree Enrollment by Category	Employee	Dependents	Total
Non-Medicare Eligible	51,747	11,879	63,626
Medicare Eligible	101,722	7,509	109,231
Total	**153,469**	**19,388**	**172,857**

VI. Enrollment By Major Employer Groups	Employees	Dependents	Total
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 Goverments	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
Total	**480,001**	**181,331**	**661,332**

Percent Enrollment by Major Employer Groups	Employees	Dependents	Total
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 Goverments	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%
Total	100.0%	100.0%	100.0%

SOURCES OF DATA:

-Actuarial Note, Hartman & Associates, "Senate Bill 1256: 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, "Senate Bill 1256 [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

SENATE BILL 1256[V.0]

BREVARD ACADEMY/ STATE HEALTH PLAN

Prepared by:

Aon Consulting
One Piedmont Center
3565 Piedmont Road, N.E.
Atlanta, Georgia 30305

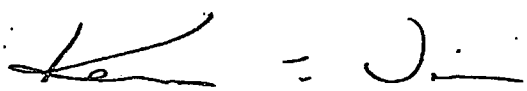
June 2010

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 Senate Bill 1256[v.0] 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

Plan Design Change	Projected Costs/Savings
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 saving 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 produces 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 x $4,140 x 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

Phone: (336) 731-4038
Fax: (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: Senate Bill 1256: 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 Hartman

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

MVH/mt

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 1251*

Short Title:	State Health Plan/Treat Teachers Equitably.	(Public)
Sponsors:	Senators Blue; and Atwater.	
Referred to:	Pensions & Retirement & Aging.	

May 20, 2010

A BILL TO BE ENTITLED

AN ACT TO GRANT THE SAME HEALTH BENEFIT COVERAGE CURRENTLY PROVIDED TO OTHER STATE EMPLOYEES TO TEACHERS WHO HAVE WORKED A FULL SCHOOL YEAR.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-45.2(a)(8) reads as rewritten:

"**§ 135-45.2. Eligibility.**

(a) Noncontributory Coverage. – The following persons are eligible for coverage under the Plan, on a noncontributory basis, subject to the provisions of G.S. 135-45.4:

...

(8) Notwithstanding the provisions of G.S. G.S. 135-45.12 employees formerly covered by the provisions of this section, other than retired employees, who have been employed for 12 or more months by an employing ~~unit~~ unit, or 10 or more months by an employing unit that is a local school administrative unit, and whose jobs are eliminated because of a reduction, in total or in part, in the funds used to support the job or its responsibilities, provided the employees were covered by the Plan at the time of separation from service resulting from a job elimination. Employees covered by this subsection shall be covered for a period of up to 12 months following a separation from service because of a job elimination."

SECTION 2. This act becomes effective July 1, 2010.

Attachment 2

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 1251*
PROPOSED COMMITTEE SUBSTITUTE S1251-CSRO-116 [v.1]

6/15/2010 5:06:10 PM

Short Title: State Health Plan/Treat Teachers Equitably. (Public)

Sponsors:

Referred to:

May 20, 2010

A BILL TO BE ENTITLED

AN ACT TO GRANT THE SAME HEALTH BENEFIT COVERAGE CURRENTLY PROVIDED TO OTHER STATE EMPLOYEES TO TEACHERS WHO HAVE WORKED A FULL SCHOOL YEAR.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-45.2(a)(8) reads as rewritten:

"**§ 135-45.2. Eligibility.**

(a) Noncontributory Coverage. – The following persons are eligible for coverage under the Plan, on a noncontributory basis, subject to the provisions of G.S. 135-45.4:

...

(8) Notwithstanding the provisions of ~~G.S.~~ G.S. 135-45.12 employees formerly covered by the provisions of this section, other than retired employees, who have been employed for 12 or more months by an employing ~~unit~~ unit, or who have completed a contract term of employment of 10 or 11 months and whose employing unit is a local school administrative unit, and whose jobs are eliminated because of a reduction, in total or in part, in the funds used to support the job or its responsibilities, provided the employees were covered by the Plan at the time of separation from service resulting from a job elimination. Employees covered by this subsection shall be covered for a period of up to 12 months following a separation from service because of a job elimination."

SECTION 2. This act becomes effective July 1, 2010.

SENATE BILL 1251:
State Health Plan/Treat Teachers Equitably

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	June 15, 2010
Introduced by:	Sen. Blue	**Prepared by:**	Karen Cochrane-Brown Committee Counsel
Analysis of:	PCS to First Edition S1251-CSRO-116		

SUMMARY: ***Senate Bill 1251 amends the law governing the State Health Plan to grant the same health benefit coverage currently provided to other state employees to teachers who have worked a full school year.***

The PCS makes technical and clarifying changes.

[As introduced, this bill was identical to H1853, as introduced by Reps. Glazier, Cotham, Parmon, Whilden, which is currently in House Insurance, if favorable, Appropriations.]

CURRENT LAW:

Under current law, state employees, who have been employed for 12 or more months by an employing unit, and whose jobs are eliminated because of a reduction in funds used to support the job, are eligible for coverage under the State Health Plan on a noncontributory basis, if the employees were covered by the Plan at the time of separation from service due to job elimination. This coverage is available for up to 12 months following separation from service because of job elimination.

BILL ANALYSIS:

Senate Bill 1251 allows employees employed on a 10 or 11 month contract term by a local school administrative unit, to be eligible for coverage under the State Health Plan if their job is eliminated because of a reduction in funds used to support the job, on the same basis as is currently applied to 12 month employees.

EFFECTIVE DATE: This act becomes effective July 1, 2010.

S1251-SMRO-176(CSRO-116) v1

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

HEALTH BENEFITS

REVISED

BILL NUMBER: Senate Bill 1251 (First Edition)

SHORT TITLE: State Health Plan/Treat Teachers Equitably.

SPONSOR(S): Senator Blue

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: Amends a section of the Plan's governing statute under G.S. 135-45.2, entitled "Eligibility", to allow a local school administrative unit employee enrolled in the Plan, who has been employed a minimum period of 10 or 11 months, to be eligible for one-year of non contributory coverage under the Plan if the employee subsequently has their job eliminated because of a reduction, in total or part, in the funds to support the job.

EFFECTIVE DATE: July 1, 2010

ESTIMATED IMPACT ON STATE:

Aon Consulting, the consulting actuary for the State Health Plan for Teachers and State Employees, estimates that the bill's requirements will 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 not have a material 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.

Additional Information Provided to Each Consulting Actuary

According to the Department of Public Instruction, there were 4,283 employees of local public schools subject to reduction-in-force for the current FY 2009-2010 school year. Of this total, the Department estimates that 3,726 employees were 10-month employees.

Of the 3,726 10-month employees subject to RIF, 2,271 were teachers and instructional support with the balance being teacher assistants. Of the 2,271 teachers/instructional support, the Department estimates that 10% of the RIF'd employees were first year 10-month teachers/instructional support employees.

As a basis for estimating the future affected population for any potential reductions-in-force effective for the FY 2010-2011, data from the Retirement Systems' Division of the Department of State Treasurer indicates that, there were 4,525 first year 10-month local public school employees hired in the months of August 2009 and September 2009 who became contributing members of the retirement system. The months of August 2009 and September 2009 were selected to reflect the possible population of first year 10-month employees assuming the school year ends in late May 2010 and early June 2010. The data count reflects the enrollees under Job Classification code "100" which includes "Teachers, Teacher Aides, Coaches, Guidance Counselors, and Librarians", and were assumed to be 10-month employees.

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

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%**	

II. Enrollment by Contract	Basic	Standard	Total
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
Total	**16,116**	**463,885**	**480,001**

Percent Enrollment by Contract	Basic	Standard	Total
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%
Total	**100.0%**	**100.0%**	**100.0%**

III. Enrollment by Sex	Basic	Standard	Total
Female	22,479	390,209	412,688
Male	19,804	228,840	248,644
Total	**42,283**	**619,049**	**661,332**

Percent Enrollment by Sex	Basic	Standard	Total
Female	53.2%	63.0%	62.4%
Male	46.8%	37.0%	37.6%
Total	**100.0%**	**100.0%**	**100.0%**

IV. Enrollment by Age	Basic	Standard	Total
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
Total	**42,283**	**619,049**	**661,332**

Percent Enrollment by Age	Basic	Standard	Total
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%
Total	**100.0%**	**100.0%**	**100.0%**

V. Retiree Enrollment by Category	Employee	Dependents	Total
Non-Medicare Eligible	51,747	11,879	63,626
Medicare Eligible	101,722	7,509	109,231
Total	**153,469**	**19,388**	**172,857**

VI. Enrollment By Major Employer Groups	Employees	Dependents	Total
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
Total	**480,001**	**181,331**	**661,332**

Percent Enrollment by Major Employer Groups	Employees	Dependents	Total
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%
Total	100.0%	100.0%	100.0%

SOURCES OF DATA:

-Actuarial Note, Hartman & Associates, "Senate Bill 1251: An Act to Grant the Same Health Benefit Coverage Currently Available to Other State Employees to Teachers Who Have Worked a Full School Year", June 4, 2010, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, "Senate Bill 1251 State Health Plan/Treat Teachers Equitably", June 4, 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 Trogdon

APPROVED BY: Marilyn Chism, Director
Fiscal Research Division

DATE: June 15, 2010

Signed Copy Located in the NCGA Principal Clerk's Offices

NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES

SENATE BILL 1251

STATE HEALTH PLAN / TREAT TEACHERS EQUITABLY

Prepared by:

Aon Consulting
One Piedmont Center
3565 Piedmont Road, N.E.
Atlanta, Georgia 30305

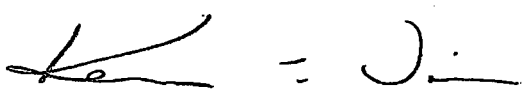
June 2010

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 1251 entitled "An Act To Grant The Same Health Benefit Coverage Currently Provided To Other State Emloyees To Teachers Who Have Worked A Full School Year."

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

Kirsten R. Schatten, A.S.A., M.A.A.A.
Assistant Vice President

June 4, 2010
Date

STATE HEALTH PLAN / TREAT TEACHERS EQUITABLY

PLAN CHANGES

The proposed legislation provides coverage for 10-month employees for a period of up to 12 months following a separation from service because of a job elimination. The full text of the bill is attached to this actuarial note.

PROJECTED COSTS

	Based on "Midpoint" Increase (in millions)		
Plan Design Change	2010-2011 Fiscal Year Cost	2011-2012 Fiscal Year Cost	Total Biennium Cost
Provide coverage for 10-month employees after job elimination	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:

- Fiscal impact considerations related to the proposed changes outlined in this bill were provided to Aon by State Health Plan including the understanding that the local school administrative unit will continue to pay the employer contribution for each eligible former employee.

- Aon expects the bill will have no fiscal impact on the Plan's cost.

S 1

SENATE BILL 1251*

Short Title:	State Health Plan/Treat Teachers Equitably.	(Public)
Sponsors:	Senators Blue; and Atwater.	
Referred to:	Pensions & Retirement & Aging.	

May 20, 2010

A BILL TO BE ENTITLED

AN ACT TO GRANT THE SAME HEALTH BENEFIT COVERAGE CURRENTLY PROVIDED TO OTHER STATE EMPLOYEES TO TEACHERS WHO HAVE WORKED A FULL SCHOOL YEAR.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-45.2(a)(8) reads as rewritten:

"**§ 135-45.2. Eligibility.**

(a) Noncontributory Coverage. – The following persons are eligible for coverage under the Plan, on a noncontributory basis, subject to the provisions of G.S. 135-45.4:

...

(8) Notwithstanding the provisions of G.S. G.S. 135-45.12 employees formerly covered by the provisions of this section, other than retired employees, who have been employed for 12 or more months by an employing ~~unit~~ unit, or 10 or more months by an employing unit that is a local school administrative unit, and whose jobs are eliminated because of a reduction, in total or in part, in the funds used to support the job or its responsibilities, provided the employees were covered by the Plan at the time of separation from service resulting from a job elimination. Employees covered by this subsection shall be covered for a period of up to 12 months following a separation from service because of a job elimination."

SECTION 2. This act becomes effective July 1, 2010.

HARTMAN & ASSOCIATES, LLC
ACTUARIAL CONSULTING

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

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

668 Link Road
Lexington, NC 27295

June 4, 2010

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

Re: Senate Bill 1251: An Act to Grant the Same Health Benefit Coverage Currently Available to Other State Employees to Teachers Who Have Worked a Full School Year

Dear Mr. Trogdon:

This bill amends G.S. 135-45.2(a)(8) to modify the provision for coverage under the North Carolina State Health Plan for Teachers and State Employees for members whose jobs are eliminated because of a reduction in funding for their position. Currently, coverage is provided on a non-contributory basis for up to 12 months following a separation due to job elimination, provided the member had been employed for 12 or more months. This bill would reduce the required employment to 10 months for members employed by a local school administrative unit. This act is effective July 1, 2010.

Reducing the required period of employment for employees of local school administrative units to qualify for this benefit will extend coverage under the Plan to additional members. Adding these members will produce addition benefit payments by the Plan, offset by additional premiums paid on behalf of these members.

I reviewed the data you provided showing 4,525 employees who could potentially be subject to this provision and the information from the Department of Public Instruction for job eliminations in 2009. While we do not know how many jobs may be eliminated, the employees affected by this bill are expected to be relatively young and have favorable claims experience. Thus, I do not expect this bill to have a material impact on the Plan.

Expected claim costs are based on data for fiscal year 2009 and fiscal year 2010 through March. Since the extended coverage is provided on a non-contributory basis, no adjustment was made for selection against the Plan.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

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

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE MONTHLY BENEFIT TO MEMBERS OF THE WILKESBORO FIREMEN'S SUPPLEMENTAL PENSION FUND.

The General Assembly of North Carolina enacts:

SECTION 1. Section 4 of Chapter 131 of the 1985 Session Laws, as amended by Section 1 of S.L. 1999-56, reads as rewritten:

"Sec. 4. Any member who has served 20 years as a fireman in the Wilkesboro Fire Department and has attained the age of 55 or who has served for five or more years and has become totally and permanently disabled is entitled to receive a monthly pension from the "Supplemental Pension Fund". This monthly pension shall be ~~in the amount of one hundred dollars ($100.00) per month.~~ equal to the monthly pension amount paid by the North Carolina Firemen's and Rescue Squad Workers' Pension Fund under G.S. 58-86-55 and shall be adjusted to match that State pension amount whenever that amount is amended. If, for any reason, the Fund shall be insufficient to pay in full any pension benefits, or other charges, then all benefits shall be reduced pro rata for as long as the deficiency in amount exists. No claim shall accrue with respect to any amount by which a benefit payment shall have been reduced."

SECTION 2. This act becomes effective July 1, 2010.

Attachment 2

SENATE BILL 1356:
Increase Wilkesboro Firemen's Pension

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	June 15, 2010
Introduced by:	Sen. Goss	**Prepared by:**	Theresa Matula
Analysis of:	First Edition		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-186(e1) v1

NORTH CAROLINA GENERAL ASSEMBLY
Legislative Services Office
George R. Hall, Legislative Services Officer

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

Marilyn Chism
Director

May 31, 2010

MEMORANDUM

TO: Senator Steve Goss

FROM: Stanley Moore SM
Fiscal Research Division

SUBJECT: Actuarial/Fiscal Note for Senate 1356 on the Wilkesboro Firemen's Supplemental 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 copy of an actuarial/fiscal note on the above subject as prepared by the General Assembly's Consulting Actuary and this Division.

cc: Senator Tony Foriest
Senate Principal Clerk

Attachment(s): Legislative Actuarial/Fiscal Note

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

NORTH CAROLINA GENERAL ASSEMBLY
Legislative Services Office

George R. Hall, Legislative Services Officer

Fiscal Research Division
300 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
Consulting Actuary
Lexington, North Carolina

Sincerely,

Stanley Moore
Fiscal Analyst
Fiscal Research Division

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H 2

HOUSE BILL 1934
Committee Substitute Favorable 6/9/10

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 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

Attachment 4

Total Contributions ~~by him or on his behalf and contributions~~to the System by the Retiree and by the City of Charlotte ~~to the System~~ on ~~his behalf; plus,~~behalf of the Retiree, plus interest compounded annually at the rate applicable to subsection (a) of this section on the contribution balance at the beginning of each Plan Year in which the ~~Participant~~Retiree contributed or in which contributions were made on ~~his~~ behalf of the Retiree, ~~and provided a monthly benefit is not payable in accordance with Section 17,~~the Designated ~~Beneficiary(s)~~Beneficiary(s), if any, or estate of the ~~retiree~~Retiree (or estate of the Beneficiary, in the case of an optional form of benefit) shall be entitled to an amount equal to the difference between such contributions, plus interest, and the sum of the monthly benefit payments received by the ~~retiree.~~Retiree (or Retiree and Beneficiary, in the case of an optional form of benefit). However, 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."

SECTION 2. This act applies only to the City of Charlotte.

SECTION 3. This act becomes effective July 1, 2010.

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

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. Avard
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
Offices in Englewood, CO • Kennesaw, GA • Hilton Head Island, SC

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 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 Hartman

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

MVH/mt

HOUSE BILL 1935
Committee Substitute Favorable 6/9/10
Third Edition Engrossed 6/10/10

Short Title: Mecklenburg Law Enforce. Cap Upped/Stipend. (Local)

Sponsors:

Referred to:

May 25, 2010

A BILL TO BE ENTITLED

AN ACT TO RAISE THE CEILING FOR BENEFITS AND TO ADD A STIPEND FOR MINOR CHILDREN 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 physically disabled law enforcement officer shall not receive more than ~~ten thousand dollars ($10,000).~~twenty-five thousand dollars ($25,000).

(3) If a law enforcement officer is killed while in the actual performance of the officer's duties or is permanently and totally disabled, then the Board may award college scholarships to the officer's children up to a maximum amount of ~~ten thousand dollars ($10,000).~~twenty-five thousand dollars ($25,000). Such scholarships may be awarded if the child is between the ages of 17 and 22 and has been accepted or is attending a fully accredited college or university.

(4) If a law enforcement officer is killed while in the actual performance of the officer's duties, and that officer is the parent or legal guardian of a minor child, then the Board may pay a one-hundred-dollar ($100.00) stipend each year to each minor child on that child's birthday until each minor child reaches 18 years of age.

"Sec. 6. The Board created under the provisions of this act shall serve without compensation. The Secretary and Treasurer of said Board shall receive such compensation as may be provided by the Board not to exceed the sum of fifty dollars ($50.00) per month, and the said Board shall have full power and authority to pay all expenses for administering this act including the purchase of supplies, legal advice, etc., out of the fund provided for herein. The Board shall have authority to make such rules, regulations, and provisions as may be necessary to the proper administration of this act. The Board may retain an investment firm to manage the ~~Fund and upon a unanimous vote of the Board may increase the amount of the maximum lump sum payments by up to ten percent (10%) once every five years.~~Fund."

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

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

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 Hartman

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

MVH/mt

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

A BILL TO BE ENTITLED

AN ACT TO REPEAL THE PROVISIONS ESTABLISHING THE WAYNESVILLE FIREMEN'S SUPPLEMENTAL RETIREMENT FUND.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 288 of the 1981 Session Laws is repealed.

SECTION 2. All funds remaining in the Waynesville Firemen's Supplemental Retirement Fund are 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 of the General Statutes.

SECTION 3. This act is effective when it becomes law.

Attachment 6

NORTH CAROLINA GENERAL ASSEMBLY
Legislative Services Office
George R. Hall, Legislative Services Officer

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

Marilyn Chism, Director

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
Consulting Actuary
Lexington, North Carolina

Sincerely,

Stanley Moore
Fiscal Analyst
Fiscal Research Division

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

VISITOR REGISTRATION SHEET

Pensions & Retirement & Aging or

Senate ~~Education/Higher Education Committee~~ June 16, 2010

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tom Younce	NC Police Executives
Carol Durrell	State Health Plan
Mary Freeman	NCAE
Carl Dean	DSP
Ed Regan	NCRGEA
Dena Fenton	City of Charlotte
Keith Richardson	City of Charlotte
Penny Hughes	School of Gov.
Julie Hochsztein	DST RED
David Starling	NC DST
Cameron Stanton	NC DST

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — 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	PFFPWC

Senate Pensions & Retirement & Aging Committee
Wednesday, June 23, 2010, 12:00 Noon
423

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

HB 1998	Reciprocity for ORP Service.	Representative Haire
HB 2054	Retirement Technical Corrections.	Representative Tucker
SB 1392	State Health Plan/Court-Ordered Guardianships.	Senator McKissick

Presentations

Other Business

Adjournment

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

PENSIONS & RETIREMENT & AGING COMMITTEE REPORT
Senator Tony Foriest, Chair

Wednesday, June 23, 2010

Senator Foriest
submits the following with recommendations as to passage:

FAVORABLE

S.B.	**1392**	State Health Plan/Court-Ordered Guardianships.	
		Sequential Referral:	None
		Recommended Referral:	None
H.B.	**1998**	Reciprocity for ORP Service.	
		Sequential Referral:	None
		Recommended Referral:	None
H.B.(CS #1)	**2054**	Retirement Technical Corrections.	
		Sequential Referral:	None
		Recommended Referral:	None

TOTAL REPORTED: 3

Committee Clerk Comments:

H.B. 1998 - Sen. Atwater
H.B. 2054 - Sen. Foriest

MINUTES

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE
Wednesday, June 23, 2010
12:00 p.m.
Room 423, Legislative Office Building

The Senate Pensions & Retirement & Aging Committee met at 12:00 p.m. on Wednesday, June 23, 2010, in Room 423 of the Legislative Office Building. Eight members were present. Fiscal and Research Division staff were present and the Committee Clerk was in attendance. The agenda and visitor registration sheet(s) are attached.

Chairman Foriest called the meeting to order and introduced the pages and sergeant-at-arms staff. The agenda order was slightly changed.

HB 1998 – Reciprocity for ORP Service (Attachment 1)

Chairman Foriest recognized Representative Haire to explain HB 1998, an act to authorize reciprocity for service in the optional retirement program for members of the Teachers' and State Employees' Retirement System. Representative Haire explained that HB 1998 allows service credit of a member of the Optional Retirement Program to be added to the creditable service standing to the credit of a member of the Teachers' and State Employees' Retirement System. He noted that the estimated impact of the bill on the state, according to actuaries, would be negligible.

There was a question and answer session. Stanley Moore of the Fiscal Research Division addressed the Committee regarding ORP service benefits noting that some employees of universities who are in exempt positions going into non-exempt positions would be affected as the State does not recognize the ORP service as service to qualify for benefits. He added the ORP service doesn't transfer; it only qualifies the employee for service benefits. Benefits are calculated only using the service in the State Retirement System not the ORP. The ORP is an optional plan.

Senator Atwater motioned for a favorable report. The motion was carried.

HB 2054 – Retirement Technical Corrections (Attachment 2)

Chairman Foriest recognized Representative Tucker to explain HB 2054, an act to make technical corrections to the statutes governing the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System. Representative Tucker explained that HB 2054 is a technical bill containing numerous technical changes. As explained in the bill summary, these changes relate to beneficiary designation, beneficiary contributions, survivor's alternative benefits, Long Term Disability, Short Term Disability, retiree contributions, elected officials contributions, election form designations, retroactive compensation adjustment, and refund of benefit contributions.

Senator Dorsett motioned for a favorable report. The motion was carried.

SB 1392 – State Health Plan/Court-Ordered Guardianships (Attachment 3)

Chairman Forest recognized Senator McKissick to explain SB 1392, 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. Senator McKissick explained that SB 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. He noted that a child under this bill is separate and apart from a natural child or step-child. Senator McKissick indicated that the fiscal impact of the bill on the state would be relatively minimal – actuarial information estimates that there are approximately 55 affected legal guardianships per year. The guardian would be responsible for all costs associated with any coverage for that particular dependent child.

Senator Purcell motioned for a favorable report. The motion was carried.

The meeting was adjourned at 12:12 p.m.

Senator Anthony Foriest, Chair Presiding

Jacqueline F. Ray, Committee Clerk

(NOTE: Minutes were assembled for library use after the Presiding Chair left office and vacated the NCGA.)

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.

Attachment 1

HOUSE BILL 1998:
Reciprocity for ORP Service

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	June 22, 2010
Introduced by:	Rep. Haire	**Prepared by:**	Theresa Matula
Analysis of:	First Edition		Committee Staff

SUMMARY: House Bill 1998 allows service credit of a member of the Optional Retirement Program to be added to the creditable service standing to the credit of a member of the Teachers' and State Employees' Retirement System.

CURRENT LAW:

G.S. 135-4.1 pertains to the reciprocity of creditable service in the Teachers' and State Employees' Retirement System. Currently 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 is added to the creditable service standing to the credit of a member of the Teachers' and State Employees' Retirement System.

BILL ANALYSIS:

House Bill 1998 amends G.S. 135-4.1(a) for the purpose of determining eligibility for benefits to allow the service standing to the credit of a member of the Optional Retirement Program to be added to the creditable service standing to the credit of a member of the Teachers' and State Employees' Retirement System (TSERS).

The corresponding amendments further provide that in no instance will service credits in the Optional Retirement Program be added to the creditable service in the TSERS for application of the System's benefit accrual rate in computing a service retirement benefit unless otherwise authorized.

House Bill 1998 would become effective when it becomes law.

H1998-SMSH-194(e1) v1

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 1998 (First Edition)

SHORT TITLE: Reciprocity for ORP Service.

SPONSOR(S): Representative Haire

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

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System and Optional Retirement Plan

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: Amends the law to allow members, who during their work history have been a member of the Teachers' and State Employees' Retirement System and the Optional Retirement Program, to be eligible to use the service in the Optional Retirement Program to qualify for retirement eligibility in the Teachers' and State Employees' Retirement System.

ESTIMATED IMPACT ON STATE: Both, Buck Consultants, the Retirement System's actuary, and Hartman & Associates, the General Assembly's actuary, agree that the cost would 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, 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.

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 7, 2010

Signed Copy Located in the NCGA Principal Clerk's Offices

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
\NC\COR\00603RM1.DOC

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

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 3, 2010

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

Re: House Bill 1998: An Act to Authorize Reciprocity For Service in the Optional Retirement Programs For Members of the TSERS

Dear Mr. Moore:

This bill amends G.S. 135-4.1(a) to include service under the Optional Retirement Program (ORP) for purposes of determining eligibility for benefits in the Teachers' and State Employees' Retirement System (TSERS). This act is effective when it becomes law.

Including OPR service towards benefit eligibility would allow members with service in both systems to qualify for an early or service retirement allowance earlier than under current law. This would increase the value of Plan benefits and increase Plan costs.

To estimate the additional liability in the TSERS from this bill, I analyzed the data provided for 1,463 TSERS members with ORP service. Due to data limitations, estimates were required for ORP service. However, based on this analysis, the cost to the TSERS would be less than .01% of payroll.

I relied on the most recent actuarial valuation prepared as of December 31, 2008 in preparing this estimate.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

HOUSE BILL 2054
Committee Substitute Favorable 6/10/10

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 ~~Option 2 or Option 3~~ Option 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~~ Option 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~~ Option 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 25th day of the month following the month in which the first check is mailed, whichever comes first.

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 ~~named for~~ eligible to receive the return of accumulated contributions. If more than one beneficiary is ~~named for~~ 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."

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 ~~Option two or Option three~~ Option 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 ~~Option 2 or Option 3~~ Option 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 two, three, or six~~ Option 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 25th day of the month following the month in which the first check is mailed, whichever comes first.

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 designation duly acknowledged and filed with the Board of Trustees at the time of his retirement; or

Option four. 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 five. For Members Retiring prior to July 1, 1993. – The member may elect to receive a reduced retirement allowance under the conditions of Option two or Option three, 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 1/120th 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 six. A member may elect either Option two or Option three 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 ~~named for~~ eligible to receive the return of accumulated contributions. If more than one beneficiary is ~~named for~~ 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."

SECTION 2.(a) 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 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. 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,~~ 50.

~~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~~ 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.

~~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~~ 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 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

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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after January 1, 1999, but before July 1, 2004, 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 six thousand dollars ($6,000) 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 2004, but before July 1, 2007, 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 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 in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 2007, 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 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 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.**

If a member fails to respond ~~in any way~~ within ~~90~~ 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 ~~90-day~~ 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."

SECTION 6.(b) 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~~ 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 ~~90-day~~ 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."

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 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 9.(a) 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 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 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 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. ~~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

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 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. 128-26, 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 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

voluntary contributions to the Plan to be credited to the designated individual accounts of participants; provided, in no instance shall the total contributions by a participant exceed ten percent (10%) of a participant's compensation within any calendar year.

All contributions to the Plan shall be credited to the individual accounts of participants, and shall be fully and immediately vested in the name of the participant, and shall be invested according to each participant's election, as provided by the Board of Trustees, including but not limited to time deposits, and both fixed and variable investments. The Plan may provide for loans to participants, at reasonable rates of interest to be charged, from participants' individual accounts, and may provide for withdrawal of contributions on account of hardship.

The benefit to a participant in the Plan shall be either a lump-sum distribution or a distribution in periodic installments of the participant's account payable under retirement, disability, or termination of employment. Upon the death of a participant there shall be paid the same lump-sum distribution or periodic installments to the surviving spouse of the participant or otherwise to the participant's estate; provided, should a participant instruct the Board of Trustees in writing that he does not wish these benefits to be paid to his spouse or estate, then the benefits shall be paid to the person or persons as the participant may name for this purpose.

Upon retirement, a participant in the Plan may elect to transfer any portion of his eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, to the Teachers' and State Employees' Retirement System and receive, in addition to his basic service, early or disability retirement allowance a special retirement allowance which shall be based on his eligible accumulated account balance at the date of the transfer of the assets."

SECTION 11.(b) G.S. 143-166.50(e) reads as rewritten:

"(e) Supplemental Retirement Income Plan for Local Governmental Law-Enforcement Officers. – As of January 1, 1986, all law-enforcement officers employed by a local government employer, are participating members of the Supplemental Retirement Income Plan as provided by Article 5 of Chapter 135 of the General Statutes. In addition to the contributions transferred from the Law-Enforcement Officers' Retirement System, participants may make voluntary contributions to the Supplemental Retirement Income Plan to be credited to the designated individual accounts of participants; provided, in no instance shall the total contributions by a participant exceed ten percent (10%) of a participant's compensation within any calendar year. From July 1, 1987, until July 1, 1988, local government employers of law enforcement officers shall contribute an amount equal to at least two percent (2%) of participating local officers' monthly compensation to the Supplemental Retirement Income Plan to be credited to the designated individual accounts of participating local officers; and on and after July 1, 1988, local government employers of law enforcement officers shall contribute an amount equal to five percent (5%) of participating local officers' monthly compensation to the Supplemental Retirement Income Plan to be credited to the designated individual accounts of participating local officers.

Additional contributions shall also be made to the individual accounts of all participants in the Plan, except for Sheriffs, on a per capita equal-share basis from the sum of one dollar and twenty-five cents ($1.25) for each cost of court collected under G.S. 7A-304.

Upon retirement, a participant in the Plan may elect to transfer any portion of his eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, to the Local Governmental Employees' Retirement System and receive, in addition to his basic service, early or disability retirement allowance a special retirement allowance which shall be based on his eligible accumulated account balance at the date of the transfer of the assets."

SECTION 12. This act becomes effective July 1, 2010.

May 26, 2010

H 2054. RETIREMENT TECHNICAL CORRECTIONS. Filed 5/26/10. *TO MAKE TECHNICAL CORRECTIONS TO THE STATUTES GOVERNING THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM.*

As title indicates. Makes numerous technical changes to both state employees and local government retirement systems, including (1) amendments to GS 135-5(g) and GS 128-27(g) to clarify that a member of either retirement system may not change the benefit option chosen or beneficiary after the member cashes the first retirement check or the twenty-fifth day of the month following the first month of payment, whichever comes first; (2) amendments to GS 135-3(8)d. and GS 128-24(5)d. to provide that if person who has retired resumes service (which causes retirement benefits to cease during service), the member may elect to receive any retirement contributions collected during the return to service when he or she retires the second time; and (3) amendments to GS 135-8(b2) and GS 128-30(b2) to specify that retroactive adjustment in compensation allowed under those subsections also apply to wrongful demotions. Effective July 1, 2010.

Intro. by Tucker. GS 128, 135

June 10, 2010

H 2054. RETIREMENT TECHNICAL CORRECTIONS. Filed 5/26/10. House committee substitute makes the following changes to 1st edition.

Amends GS 135-45.2(f) to clarify that former employees who are approved for disability retirement or disability income benefits, but are not receiving the benefits due to lump sum payouts of vacation and bonus leave (was, due to exhaustion of leave), remain covered by the Plan.

Makes clarifying changes.

July 8, 2010

SL 2010-72 (H 2054). RETIREMENT TECHNICAL CORRECTIONS. *AN ACT TO MAKE TECHNICAL CORRECTIONS TO THE STATUTES GOVERNING THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.* Summarized in *Daily Bulletin* 5/26/10 and 6/10/10. Enacted July 8, 2010. Effective July 1, 2010.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 2054 (Second Edition)

SHORT TITLE: Retirement Technical Corrections.

SPONSOR(S): Representative Tucker

FUNDS AFFECTED: (1) General Fund, Highway Fund, and Receipt Funds for the Teachers' and State Employees' Retirement System, (2) General Fund, Highway Fund, and Receipt Funds for the Disability Income Plan, (3) General Fund, Highway Fund, and Receipt Funds for the Death Benefit Plan; General Fund, Highway Fund, and Receipt Funds for the Supplemental Income Plan and (5) local funds for the Local Governmental Employees' Retirement System

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, Disability Income Plan, Death Benefit Plan and the Supplemental Income Plan.

EFFECTIVE DATE: July 1, 2010

BILL SUMMARY:
Section 1 (a and b). Makes clear that a member may not change the election of option or beneficiary designation once the first retirement check has been cashed or after the 25th of the month following the month in which the first check is mailed.

Allows a new election of form and/or beneficiary designation under Option 5 if spouse dies or member divorces. Allows a new election of form and/or beneficiary under Option 6 (pop-up) if beneficiary dies prior to first payment.

Clarify that beneficiary for death after effective date but prior to receipt of 6-E or 7-E (choosing payment option) has to be one and only one person eligible to receive refund of contributions.

Section 2 (a and b). Changes the Survivor's Alternate Benefit to be payable when there is one and only one person eligible to receive refund of contributions. Currently, it is payable if they have only named one principal beneficiary. The difference would arise when multiple beneficiaries are named and one or more predeceases the member.

Section 3 (a, b and c). Allows that former employees who have been approved for Long Term Disability, but who are not yet technically receiving the benefit because they cashed out their leave, will be covered by the State Health Plan.

Clarifies that anyone who qualifies for Long Term Disability with transferred service, but does not have 5 years of State membership service, will not eligible for state health benefits while on Long Ter Disability.

Allows a member who is on extended short-term disability to be eligible for the Death Benefit.

Section 4 (a and b) Allows a retiree who returns to work in a contributing position, but does not complete three years of service to choose any of the following:

a. Calculate a retirement allowance on the new service (this is the only option that the current statute appears to allow)
b. Get a refund of the new contributions.
c. Leave the new account open pending another subsequent return to service

Members who return for at least 3 years may choose a recalculated retirement allowance or a refund of the new contributions.

Section 5 (a and b). Clarify that elected officials convicted of certain offenses are always eligible for a return of member contributions and interest, if applicable. The present law appears to indicate that these members forfeit "all benefits", which might include member contributions. 135-18.10(a) and 128-38.4 allows for the return of contributions plus interest, so the two statutes may conflict.

Section 6 (a and b). Increases the time for failure to respond from 90 days to 120 days from the mailing of the election form or effective date of retirement, whichever is later. This gives the agency more flexibility to work with the member before canceling their application for retirement.

Section 7. Moves the timing of change in Long Term Disability offset for Social Security from December to January to mirror timing of change in Social Security check received. This will slightly increase the total benefits paid to these recipients.

Section 8 (a and b). Adds "wrongful demotion" as a valid reason for retroactive adjustment in compensation.

Sections 9, 10, and 11. Simplify calculation of guaranteed refund of contributions in benefit created by transfer of 401(k) balances to either the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System. These transfers are currently available to law-enforcement officers. Allow law-enforcement officers to transfer any portion of their 401(k) balance, rather than all or none. .

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.

Disability Income Plan of North Carolina

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 Plan. The data included 338,951 active members with an annual payroll of $14.5 billion and 6,214 disabled members in receipt of annual long term benefits totaling $79.1 million. Significant actuarial assumptions used include (a) an annual investment return rate of 7.25%, (b) assumed rates of disability and termination are based on the Group Long-Term Disability (GLTD) Valuation Tables published in the Society of Actuaries Transactions Volume XXXIX, 1987, adjusted by a factor of 0.80, (c) across-the-board salary increases of 5.75%, (d) Social Security disability benefits are assumed to increase 3.75% per year and (e) rates of approval for Social Security benefits prior to completion of four years of disability is 50%. Claims cost for LTD benefits is calculated using aggregate cost method. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

Death Benefit Plan for State Employees:
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 Death Benefit Plan. The data included 325,618 active members with an annual payroll of $13.3 billion. Upon the death of a member in service after one year of membership, or a former member within 180 days after termination of service, or a former member in receipt of a benefit from the Disability Income Plan of North Carolina, a lump sum death benefit is payable to the designated beneficiary or legal representative. The death benefit is 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 the death occurs or (2) the greatest compensation on which contributions were made by the member during the 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 the; last day of actual service occurs. For all employees, the death benefit is subject to a minimum of $25,000 and up to a maximum of $50,000. 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 9, 2010

Signed Copy Located in the NCGA Principal Clerk's Offices

June 1, 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 2054

Dear Mr. Vanderweide:

We have received your request of May 27 regarding House Bill 2054, which affects the Teachers' and State Employees' Retirement System (TSERS), the Local Governmental Employees' Retirement System (LGERS), the Death Benefit Plan, the State Health Plan and the Disability Income Plan (DIP).

Section 1 of this bill amends G.S. 135-5(g) and G.S. 128-27(g) and appears to (a) clarify that members may not change the election of optional forms of payment or beneficiary designations once the first check has been cashed or after the 25th of the month following when the first check is mailed, (b) allow new election of form of payment or beneficiary designation under option 5 if the spouse dies or the member divorces and under option 6 if the beneficiary dies prior to the first payment, (c) change the effective date for changes to elected forms to the month following the month the election is made and (d) clarify who is the beneficiary in event of death after the effective date of retirement, but prior to receipt of the election form. Section 1 does not increase the liabilities or contribution rates of TSERS or LGERS.

Section 2 of this bill amends G.S. 135-5(m) and G.S. 128-27(m) and appears to change when the Survivor's Alternate Benefit is payable and correct a drafting error in that section of the statute. Section 2 does not increase the liabilities or contribution rates of TSERS or LGERS.

Section 3 of this bill amends G.S. 135-45.2(f) and G.S. 135-5(l) and appears to clarify eligibility for coverage under the State Health Plan for a small number of disability recipients and eligibility for the Death Benefit Plan for those on extended short-term disability. The impact of Section 3 on the Death Benefit Plan in negligible. Since we are not the actuary for the State Health Plan, we have not reviewed the impact of Section 3 on the State Health Plan.

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

Section 4 of this bill amends G.S. 135-3(8)d and G.S. 128-24(5)d and appears to clarify the choices available to a retiree who returns to work in a contributing position and subsequently retires again. Section 4 does not increase the liabilities or contribution rates of TSERS or LGERS.

Section 5 of this bill amends G.S. 135-4(gg) and G.S. 128-26(w) and appears to clarify that elected officials convicted of certain offenses are always eligible for a return of member contributions and any interest on those contributions. Section 5 does not increase the liabilities or contribution rates of TSERS or LGERS.

Section 6 of this bill amends G.S. 135-10.1 and G.S. 128-32.1 and appears to grant the Retirement Systems Division additional flexibility in handling failures to respond by increasing time allowed from 90 days to 120 days from the mailing of the election form or effective date of retirement, if earlier. Section 6 does not increase the liabilities or contribution rates of TSERS or LGERS.

Section 7 of this bill amends G.S. 135-106(b) and appears to change the timing of the increase in the Social Security offset for the DIP from December to January. The impact of Section 7 on the DIP is negligible.

Section 8 of this bill amends G.S. 135-8(b2) and G.S. 128-30(b2) and appears to add "wrongful demotion" as a valid reason for retroactive adjustment in compensation. While this legislation would increase the final average compensation for affected members, it is our understanding that there are few employees that would be impacted. Therefore, the impact of Section 8 of TSERS or LGERS is negligible.

Sections 9, 10 and 11 of this bill amends G.S. 135-5(g1), G.S. 128-27(g1), G.S. 135-5(m1), G.S. 128-27(m1), G.S. 143-166.30(d) and G.S. 143-166.50(e) and appears to simplify the treatment of guaranteed refund of contributions for law-enforcement officers who transfer 401(k) balances. It would also allow them to transfer any portion of the balance, instead of all or none. Because the conversion of the balances to monthly annuities is based on actuarial equivalent factors using similar assumptions used for the valuation of TSERS and LGERS, the impact of Sections 9, 10 and 11 on TSERS and LGERS is negligible.

This legislation would become effective on July 1, 2010.

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:kjn
\NC\COR\00528RM2.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

June 2, 2010

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

Re: House Bill 2054: An Act to Make Technical Corrections to the Statutes Governing the TSERS and LGERS

Dear Mr. Moore:

This bill amends various provisions of the General Statutes to make technical corrections to the Teachers' and State Employees' Retirement System (TSERS), the Local Governmental Employees' Retirement System (LGERS), and the Disability Income Plan (DIP). This act is effective July 1, 2010.

The changes include:

- Clarifies that a member may not change the benefit option or designated beneficiary after the member has cashed the first retirement check or after the 25th day of the month after the check is mailed.
- Changes the effective date for a new spousal beneficiary to the first of the month following the month the nomination is made.
- Clarifies language regarding the Survivor's Alternate Benefit.
- Clarifies that a beneficiary of the Disability Income Plan receiving extended short-term benefits is eligible for the Death Benefit Plan.
- Provides that when a retiree returns to work and later retires again, the member is eligible for a refund of accumulated contributions for the second period of employment in lieu of an additional retirement allowance.
- Provides that elected officials convicted of certain crimes who forfeit retirement benefits are eligible for a return of accumulated member contributions.
- Extends the time to void certain member elections due to a failure of the member to respond from 90 to 120 days.
- Moves the effective date for changes in the offset to DIP benefits due to increases in Social Security disability benefits to the month following the month in which the members is entitled to the increased Social Security benefit.
- Includes retroactive pay for wrongful demotion as an eligible adjustment to compensation for benefit computation purposes.
- Clarifies how the death benefit for return of accumulated contributions for a retired member applies to amounts transferred from the Supplemental Retirement Income Plan.

- Allows eligible members to transfer any portion, as opposed to all, of his accumulated contributions from the Supplemental Retirement Income Plan to the TSERS or LGERS

None of these changes are expected to have a material financial impact in the affected systems.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

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.

Attachment 3

SENATE BILL 1392:
State Health Plan/Court-Ordered Guardianships

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	June 22, 2010
Introduced by:	Sen. McKissick	**Prepared by:**	Theresa Matula
Analysis of:	First Edition		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.

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 19th 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 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."

* **S.L. 2010-3**, provides that notwithstanding the requirement in G.S. 135-45.2(d)(1) that a dependent child less than 26 years of age be a full-time student to be eligible for coverage, a dependent child enrolled in the North Carolina State Health Plan for Teachers and State Employees as of May 1, 2010, may remain on the Plan through the end of the month following the dependent child's 26th birthday, regardless of the dependent child's status as a full-time student, provided that the dependent child is not eligible for other employer sponsored health benefit coverage as a primary beneficiary or spousal dependent. This provision became effective June 1, 2010, and is repealed effective July 1, 2011.

S1392-SMSH-195(e1) v1

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

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

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%**	

II. Enrollment by Contract	Basic	Standard	Total
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
Total	**16,116**	**463,885**	**480,001**

Percent Enrollment by Contract	Basic	Standard	Total
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%
Total	**100.0%**	**100.0%**	**100.0%**

III. Enrollment by Sex	Basic	Standard	Total
Female	22,479	390,209	412,688
Male	19,804	228,840	248,644
Total	**42,283**	**619,049**	**661,332**

Percent Enrollment by Sex	Basic	Standard	Total
Female	53.2%	63.0%	62.4%
Male	46.8%	37.0%	37.6%
Total	**100.0%**	**100.0%**	**100.0%**

IV. Enrollment by Age	Basic	Standard	Total
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
Total	**42,283**	**619,049**	**661,332**

Percent Enrollment by Age	Basic	Standard	Total
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%
Total	**100.0%**	**100.0%**	**100.0%**

V. Retiree Enrollment by Category	Employee	Dependents	Total
Non-Medicare Eligible	51,747	11,879	63,626
Medicare Eligible	101,722	7,509	109,231
Total	**153,469**	**19,388**	**172,857**

VI. Enrollment By Major Employer Groups	Employees	Dependents	Total
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 Goverments	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
Total	**480,001**	**181,331**	**661,332**

Percent Enrollment by Major Employer Groups	Employees	Dependents	Total
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 Goverments	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%
Total	100.0%	100.0%	100.0%

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 Trogdon

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

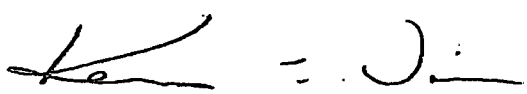
June 2010

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

Kenneth C. Vieira, F.S.A., M.A.A.A.
Senior Vice President

Date

June 18, 2010

Kirsten R. Schatten, A.S.A., M.A.A.A.
Assistant Vice President

Date

STATE HEALTH PLAN / COURT-ORDERED GUARDIANSHIPS

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

	Based on "Midpoint" Increase		
Plan Design Change	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.

S

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.

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 addition 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 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

additional administrative costs for a small number of additional dependents are expected to be minimal.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

Attachment #1

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 [1]	935
Percent Eligible for Plan Coverage [2]	8.0%
Percent Electing Coverage [3]	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.

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — June 23, 2010

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mitch Leonard	SEANC
Chuck Stone	SEANC
Mary McDuffie	NCCAT
[signature]	WCPSS
Pam Deardorff	NCRSP
Margie Freeman	NCAE
Rita Sandoval	SHP
Linda Forsberg	SHP
Lacey Barnes	SHP
Kay Emanuel	UNC School of Government
[signature]	[illegible]

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement & Aging — June 23, 2010

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Chuck Hawthorne	
Julie Hochstein	DST
David Vanderwilde	DST
Richard Williamson	"
David Starling	"
Paul Meyer	NCLM
David Anders	PFFPA

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

PENSIONS & RETIREMENT & AGING COMMITTEE REPORT
Senator Tony Foriest, Chair

Thursday, July 01, 2010

Senator FORIEST,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL

H.B. **1778** Brevard Academy/Retirement Election.

Draft Number:	PCS 80650
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 1

Committee Clerk Comments:

Senator Snow will handle bill on the floor.

MINUTES

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE
Thursday, July 1, 2010
Senate Chambers, Legislative Building

The Senate Pensions & Retirement & Aging Committee met during Senate recess on Thursday, July 1, 2010, in the Senate Chambers of the Legislative Building. Eleven members were present. Fiscal and Research Division staff were present and the Committee Clerk was in attendance. There was neither an agenda nor visitor registration sheet.

Chairman Foriest called the meeting to order for discussion of HB 1778, Charter School/Retirement SHP Election (Attachment 1).

Senator Snow explained HB 1778. Senator Josh Stein presented a proposed senate committee substitute (PCS), which changes the title upon concurrence to read HB 1778, 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.

There was brief discussion on the fiscal impact of HB 1778 (see Legislative Actuarial Note).

Senator Bingham motioned for an unfavorable report as to original bill, but favorable to Senate Committee Substitute bill. The motion was carried.

The meeting was adjourned.

Senator Anthony Foriest, Chair Presiding

Jacqueline F. Ray, Committee Clerk

(NOTE: Minutes were assembled for library use after the Presiding Chair left office and vacated the NCGA.)

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

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 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.

Attachment 1

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H D

HOUSE BILL 1778*
PROPOSED SENATE COMMITTEE SUBSTITUTE H1778-PCS80650-RO-123

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.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

HEALTH BENEFITS

BILL NUMBER: Proposed Committee Substitute to HB 1778 (H1778-CSRO-123 [v.1])

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 Proposed Committee Substitute 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 Proposed Committee Substitute 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												
	Active Employees			Dependents of Active Employees			Retired Employees			Dependents of Retired Employees		
Ages	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 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 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%**	

II. Enrollment by Contract	Basic	Standard	Total
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
Total	**16,116**	**463,885**	**480,001**

Percent Enrollment by Contract	Basic	Standard	Total
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%
Total	**100.0%**	**100.0%**	**100.0%**

III. Enrollment by Sex	Basic	Standard	Total
Female	22,479	390,209	412,688
Male	19,804	228,840	248,644
Total	**42,283**	**619,049**	**661,332**

Percent Enrollment by Sex	Basic	Standard	Total
Female	53.2%	63.0%	62.4%
Male	46.8%	37.0%	37.6%
Total	**100.0%**	**100.0%**	**100.0%**

IV. Enrollment by Age	Basic	Standard	Total
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
Total	**42,283**	**619,049**	**661,332**

Percent Enrollment by Age	Basic	Standard	Total
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%
Total	**100.0%**	**100.0%**	**100.0%**

V. Retiree Enrollment by Category	Employee	Dependents	Total
Non-Medicare Eligible	51,747	11,879	63,626
Medicare Eligible	101,722	7,509	109,231
Total	**153,469**	**19,388**	**172,857**

VI. Enrollment By Major Employer Groups	Employees	Dependents	Total
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 Goverments	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
Total	**480,001**	**181,331**	**661,332**

Percent Enrollment by Major Employer Groups	Employees	Dependents	Total
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 Goverments	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%
Total	100.0%	100.0%	100.0%

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 Trogdon

APPROVED BY: Marilyn Chism, Director
Fiscal Research Division

DATE: July 1, 2010

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

Plan Design Change	Projected Costs/Savings
Brevard Academy And Sterling Montessori Academy Authorized to Participate in Plan Optional Coverage	Estimated FY11 Cost: $236,800

PRICING APPROACH AND COMMENTS

The following information was compiled and utilized in determining the projected costs or savings 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 produces 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 x $4,140 x 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 Trogdon
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. Trogdon:

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 Hartman

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

MVH/mt

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

PENSIONS & RETIREMENT & AGING COMMITTEE REPORT
Senator Tony Foriest, Chair

CORRECTED REPORT 1

Wednesday, July 07, 2010

Senator FORIEST,
submits the following with recommendations as to passage:

FAVORABLE

H.B.(CS #2) **2066** Special Retirement Allowances.
Sequential Referral: None
Recommended Referral: Finance

TOTAL REPORTED: 1

Committee Clerk Comments:

H.B. 2066 - Senator Foriest will handle bill on Senate floor

MINUTES

SENATE PENSIONS & RETIREMENT & AGING COMMITTEE
Wednesday, July 7, 2010
Senate Chambers, Legislative Building

The Senate Pensions & Retirement & Aging Committee met during Senate recess on Wednesday, July 7, 2010, in the Senate Chambers of the Legislative Building. Ten members were present. Fiscal and Research Division staff were present and the Committee Clerk was in attendance. There was neither an agenda nor visitor registration sheet.

Chairman Foriest called the meeting to order for discussion of HB 2066, Special Retirement Allowances (Attachment 1).

Representative Angela Bryant explained HB 2066, 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. HB 2066 would amend the laws governing the Teachers' and State Employees' Retirement System and the Local Government Employees' Retirement System to authorize the creation of special retirement allowances derived from the transfer of a member's eligible accumulated contributions to the Supplemental Retirement Income Plan. The bill also authorizes the Supplemental Retirement Board of Trustees to assess a one-time administrative fee for expenses related to the transfer.

Stanley Moore of the Fiscal Research Division explained the Legislative Actuarial Note.

Senator Bingham motioned for a favorable report of the bill with a recommended referral to the Senate Finance Committee and to be calendared on July 8, 2010. The motion was carried.

The meeting was adjourned.

Senator Anthony Foriest, Chair Presiding

Jacqueline F. Ray, Committee Clerk

(NOTE: Minutes were assembled for library use after the Presiding Chair left office and vacated the NCGA.)

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H

4

HOUSE BILL 2066
Committee Substitute Favorable 6/22/10
Committee Substitute #2 Favorable 6/30/10
Fourth Edition Engrossed 7/6/10

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 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 special retirement allowance which shall be based upon the member's transferred balance.

Attachment 1

Notwithstanding anything to the contrary, a member may not transfer such amounts as 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. The Board of Trustees shall provide educational materials to the members who apply for the transfer authorized by this section. Those materials shall describe the special retirement allowance and shall explain (i) the relationship between the transferred balance and the monthly benefit; and (ii) how the member's heirs may be impacted by the election to make this transfer and any costs and fees involved.

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 Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess a one-time flat administrative fee not to exceed the actual cost of the administrative expenses relating to these transfers.

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

(1) A member may elect to receive the special retirement allowance for life but with payments guaranteed for a number of months to be specified by the Board of Trustees. Under this plan, if the member dies before the expiration of the specified number of months, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's designated beneficiary will receive the benefit only for the remainder of the specified number of months. If the member's designated beneficiary dies before receiving payments for the specified number of months, any remaining payments will be paid to the member's estate.

(2) A member may elect to receive the special retirement allowance for life but is guaranteed that the sum of the special allowance payments will equal the total of the transferred amount. Under this payment option, if the member dies before receiving the total transferred amount, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3

or 6 is not selected, the member's designated beneficiary or the member's estate shall be paid any remaining balance of the transferred amount.

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 one-time election provided in this subsection."

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's voluntary contributions that were transferred from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to this Retirement System over the total of the Special Retirement Allowances paid prior to the death of the retiree. For purposes of this paragraph, the term "accumulated contributions" excludes any amount transferred under subsection (m2) of this section.

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 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 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 4. 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 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. 128-29(o).~~ G.S. 128-28(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 5. G.S. 128-27 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 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 as will cause the member's retirement allowance under the System to exceed the amount allowable under G.S. 128-38.2(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. The Board of Trustees shall provide educational materials to the members who apply for the transfer authorized by this section. Those materials shall describe the special retirement allowance and shall explain (i) the relationship between the transferred balance and the monthly benefit; and (ii) how the member's heirs may be impacted by the election to make this transfer and any costs and fees involved.

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. 128-28(o). 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. The Local Governmental Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly.

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

(1) A member may elect to receive the special retirement allowance for life but with payments guaranteed for a number of months to be specified by the Board of Trustees. Under this plan, if the member dies before the expiration of the specified number of months, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's designated beneficiary will receive the benefit only for the remainder of the specified number of months. If the member's designated beneficiary dies before receiving payments for the specified number of months, any remaining payments will be paid to the member's estate.

(2) A member may elect to receive the special retirement allowance for life but is guaranteed that the sum of the special allowance payments will equal the total of the transferred amount. Under this payment option, if the member dies before receiving the total transferred amount, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3

or 6 is not selected, the member's designated beneficiary or the member's estate shall be paid any remaining balance of the transferred amount.

The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess a one-time flat administrative fee not to exceed the actual cost of the administrative expenses relating to these transfers.

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 one-time election provided in this subsection."

SECTION 6. 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. ~~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 Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to this Retirement System over the total of the Special Retirement Allowances paid prior to the death of the retiree. For purposes of this paragraph, the term "accumulated contributions" excludes any amount transferred under subsection (m2) of this section.

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 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. 128-26, 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 7. This act becomes effective January 1, 2011. Any beneficiary who retired prior to January 1, 2011, will not be allowed to make the one-time election until July 1, 2011. Any administrative fees accessed by the Boards of Trustees may be used to hire additional personnel to administer this act.

HOUSE BILL 2066:
Special Retirement Allowances

2009-2010 General Assembly

Committee:	Senate Pensions & Retirement & Aging	**Date:**	July 7, 2010
Introduced by:	Rep. Bryant	**Prepared by:**	Karen Cochrane-Brown
Analysis of:	Fourth Edition		Committee Counsel

SUMMARY: ***House Bill 2066 would amend the laws governing the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System to authorize the creation of special retirement allowances derived from the transfer of a member's eligible accumulated contributions to the Supplemental Retirement Income Plan. The bill also authorizes the Supplemental Retirement Board of Trustees to assess a one-time administrative fee for expenses related to the transfer.***

CURRENT LAW:

Under existing law, State and local law enforcement officers are allowed to transfer the entire balance of their accumulated contribution, excluding Roth after-tax contributions, from the Supplemental Retirement Income Plan (401(k) Plan) to the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System. The member is then eligible to receive a special retirement allowance, in addition to the member's basic service allowance, in the form of an annuity based on the transferred account balance and the member's age at the time of the transfer.

BILL ANALYSIS:

Sections 1 and 4 of House Bill 2066 would authorize law enforcement officers who are vested on June 30, 2010, to transfer a portion of their accumulated contributions rather than the entire balance.

The remaining sections of the bill authorize the creation of special retirement allowances for all members of both retirement systems. The members would be allowed to make a one-time transfer of any portion of a member's eligible accumulated contributions (excluding Roth after-tax contributions) from the Supplemental Retirement Income Plan or the Public Employees Deferred Compensation Plan to the appropriate retirement system. However, the Board of Trustees is authorized to establish a minimum amount that must be transferred. The member could make the election at or at any time following retirement. The member would then be eligible to receive a special retirement allowance similar to what is currently available to law enforcement officers. The special retirement allowance shall receive the same tax treatment as if paid by the Supplemental Retirement Income Plan.

The special retirement allowance would be paid for the life of the member and also for the life of a beneficiary if the member elected to provide a survivorship benefit under Option 2, 3, or 6 at retirement. The Board of Trustees is directed to establish two payment options that guarantee payments. One option would guarantee payments for a specified number of months to be determined by the Board, and another option would guarantee that the sum of payments would equal the total of the amount transferred. In both cases, the member would receive the special retirement allowance for life with the provision that if the member dies prior to the guaranteed event, the special retirement allowance would continue to be paid to a beneficiary or to the member's estate.

The bill also authorizes the Supplemental Retirement Board of Trustees to assess a one-time administrative fee, not to exceed the actual cost of the administrative expenses related to the transfer.

EFFECTIVE DATE: This act becomes effective January 1, 2011. Any beneficiary who retired prior to January 1, 2011, will not be allowed to make the one-time election until July 1, 2011. any administrative fees assessed by the Board of Trustees may be used to hire additional personnel to administer the act.

H2066-SMRO-190(e4) v1

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 2066 (Third Edition)

SHORT TITLE: Special Retirement Allowances.

SPONSOR(S): Representative Bryant

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: January 1, 2011 for retirees on or after that date and July 1, 2011 for retirees as of December 31, 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.

Requires the Board of Trustees to provide educational materials to members who apply for the one-time contributions transfer under the section that describe the special retirement allowance, and explain the relationship between the transferred balance and the monthly benefit, and explain how the member's heirs may be impacted by the member's election, including any costs or fees. The bill also allows the Supplemental Retirement Board of Trustees to assess a one-time flat administrative fee not to exceed the actual cost required to administer the transfers.

The special retirement allowance shall be paid to the member for life. The Board of Trustees shall allow a member two payment plan options. The first to be for life with a guaranteed number of months and the second for life with a guaranteed return of the amount transferred.

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: July 1, 2010

Signed Copy Located in the NCGA Principal Clerk's Offices

buckconsultants

A Xerox Company

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.

14911 Quorum Drive, Suite 200 • Dallas, TX 75254-7534
972.628.6800 • 972.628.6801 (fax)

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\00608RM2.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

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 of LGERS.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt