

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 747

Short Title: 1997 Retirement Benefits Act.

(Public)

Sponsors: Senators Jenkins; Albertson, Ballance, Conder, Dalton, Dannelly, Hoyle, Jordan, Kerr, Kinnaird, Lee, Lucas, Martin of Pitt, Miller, Odom, Perdue, Plyler, Rand, Reeves, Soles, Warren, and Wellons.

Referred to: Pensions & Retirement and Insurance.

April 7, 1997

A BILL TO BE ENTITLED

1 AN ACT TO ENHANCE THE RETIREMENT BENEFITS PAYABLE FROM THE
2 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE
3 CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LOCAL
4 GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.
5

6 The General Assembly of North Carolina enacts:

7 Section 1. G.S. 135-5(b16) reads as rewritten:

8 "(b16) Service Retirement Allowance of Members Retiring on or After July 1,
9 ~~1995~~ 1995, but Before July 1, 1997. – Upon retirement from service in accordance with
10 subsection (a) or (a1) above, on or after July 1, 1995, but before July 1, 1997, a member
11 shall receive the following service retirement allowance:

12 (1) A member who is a law enforcement officer or an eligible former law
13 enforcement officer shall receive a service retirement allowance
14 computed as follows:

15 a. If the member's service retirement date occurs on or after his
16 55th birthday, and completion of five years of creditable service
17 as a law enforcement officer, or after the completion of 30 years
18 of creditable service, the allowance shall be equal to one and

- 1 seventy-five hundredths percent (1.75%) of his average final
2 compensation, multiplied by the number of years of his
3 creditable service.
- 4 b. If the member's service retirement date occurs on or after his
5 50th birthday and before his 55th birthday with 15 or more years
6 of creditable service as a law enforcement officer and prior to the
7 completion of 30 years of creditable service, his retirement
8 allowance shall be equal to the greater of:
- 9 1. The service retirement allowance payable under G.S. 135-
10 5(b16)(1)a. reduced by one-third of one percent (1/3 of
11 1%) thereof for each month by which his retirement date
12 precedes the first day of the month coincident with or next
13 following the month the member would have attained his
14 55th birthday; or
- 15 2. The service retirement allowance as computed under G.S.
16 135-5(b16)(1)a. reduced by five percent (5%) times the
17 difference between 30 years and his creditable service at
18 retirement.
- 19 (2) A member who is not a law enforcement officer or an eligible former
20 law enforcement officer shall receive a service retirement allowance
21 computed as follows:
- 22 a. If the member's service retirement date occurs on or after his
23 65th birthday upon the completion of five years of creditable
24 service or after the completion of 30 years of creditable service
25 or on or after his 60th birthday upon the completion of 25 years
26 of creditable service, the allowance shall be equal to one and
27 seventy-five hundredths percent (1.75%) of his average final
28 compensation, multiplied by the number of years of creditable
29 service.
- 30 b. If the member's service retirement date occurs after his 60th and
31 before his 65th birthday and prior to his completion of 25 years
32 or more of creditable service, his retirement allowance shall be
33 computed as in G.S. 135-5(b16)(2)a. but shall be reduced by one-
34 quarter of one percent (1/4 of 1%) thereof for each month by
35 which his retirement date precedes the first day of the month
36 coincident with or next following his 65th birthday.
- 37 c. If the member's early service retirement date occurs on or after
38 his 50th birthday and before his 60th birthday and after
39 completion of 20 years of creditable service but prior to the
40 completion of 30 years of creditable service, his early service
41 retirement allowance shall be equal to the greater of:
- 42 1. The service retirement allowance as computed under G.S.
43 135-5(b16)(2)a. but reduced by the sum of five-twelfths of

1 one percent (5/12 of 1%) thereof for each month by which
2 his retirement date precedes the first day of the month
3 coincident with or next following the month the member
4 would have attained his 60th birthday, plus one-quarter of
5 one percent (1/4 of 1%) thereof for each month by which
6 his 60th birthday precedes the first day of the month
7 coincident with or next following his 65th birthday; or

8 2. The service retirement allowance as computed under G.S.
9 135-5(b16)(2)a. reduced by five percent (5%) times the
10 difference between 30 years and his creditable service at
11 retirement; or

12 3. If the member's creditable service commenced prior to
13 July 1, 1994, the service retirement allowance equal to the
14 actuarial equivalent of the allowance payable at the age of
15 60 years as computed in G.S. 135-5(b16)(2)b.

16 d. Notwithstanding the foregoing provisions, any member whose
17 creditable service commenced prior to July 1, 1963, shall not
18 receive less than the benefit provided by G.S. 135-5(b)."

19 Section 2. G.S. 135-5 is amended by adding a new subsection to read:

20 "(b17) Service Retirement Allowance of Members Retiring on or After July 1,
21 1997. – Upon retirement from service in accordance with subsection (a) or (a1) above, on
22 or after July 1, 1997, a member shall receive the following service retirement allowance:

23 (1) A member who is a law enforcement officer or an eligible former law
24 enforcement officer shall receive a service retirement allowance
25 computed as follows:

26 a. If the member's service retirement date occurs on or after his
27 55th birthday, and completion of five years of creditable service
28 as a law enforcement officer, or after the completion of 30 years
29 of creditable service, the allowance shall be equal to one and
30 eighty-one hundredths percent (1.81%) of his average final
31 compensation, multiplied by the number of years of his
32 creditable service.

33 b. If the member's service retirement date occurs on or after his
34 50th birthday and before his 55th birthday with 15 or more years
35 of creditable service as a law enforcement officer and prior to the
36 completion of 30 years of creditable service, his retirement
37 allowance shall be equal to the greater of:

38 1. The service retirement allowance payable under G.S. 135-
39 5(b17)(1)a. reduced by one-third of one percent (1/3 of
40 1%) thereof for each month by which his retirement date
41 precedes the first day of the month coincident with or next
42 following the month the member would have attained his
43 55th birthday; or

- 1 2. The service retirement allowance as computed under G.S.
2 135-5(b17)(1)a. reduced by five percent (5%) times the
3 difference between 30 years and his creditable service at
4 retirement.
- 5 (2) A member who is not a law enforcement officer or an eligible former
6 law enforcement officer shall receive a service retirement allowance
7 computed as follows:
- 8 a. If the member's service retirement date occurs on or after his
9 65th birthday upon the completion of five years of membership
10 service or after the completion of 30 years of creditable service
11 or on or after his 60th birthday upon the completion of 25 years
12 of creditable service, the allowance shall be equal to one and
13 eighty-one hundredths percent (1.81%) of his average final
14 compensation, multiplied by the number of years of creditable
15 service.
- 16 b. If the member's service retirement date occurs after his 60th and
17 before his 65th birthday and prior to his completion of 25 years
18 or more of creditable service, his retirement allowance shall be
19 computed as in G.S. 135-5(b17)(2)a. but shall be reduced by one-
20 quarter of one percent (1/4 of 1%) thereof for each month by
21 which his retirement date precedes the first day of the month
22 coincident with or next following his 65th birthday.
- 23 c. If the member's early service retirement date occurs on or after
24 his 50th birthday and before his 60th birthday and after
25 completion of 20 years of creditable service but prior to the
26 completion of 30 years of creditable service, his early service
27 retirement allowance shall be equal to the greater of:
- 28 1. The service retirement allowance as computed under G.S.
29 135-5(b17)(2)a. but reduced by the sum of five-twelfths of
30 one percent (5/12 of 1%) thereof for each month by which
31 his retirement date precedes the first day of the month
32 coincident with or next following the month the member
33 would have attained his 60th birthday, plus one-quarter of
34 one percent (1/4 of 1%) thereof for each month by which
35 his 60th birthday precedes the first day of the month
36 coincident with or next following his 65th birthday; or
- 37 2. The service retirement allowance as computed under G.S.
38 135-5(b17)(2)a. reduced by five percent (5%) times the
39 difference between 30 years and his creditable service at
40 retirement; or
- 41 3. If the member's creditable service commenced prior to
42 July 1, 1994, the service retirement allowance equal to the

1 actuarial equivalent of the allowance payable at the age of
2 60 years as computed in G.S. 135-5(b17)(2)b.

- 3 d. Notwithstanding the foregoing provisions, any member whose
4 creditable service commenced prior to July 1, 1963, shall not
5 receive less than the benefit provided by G.S. 135-5(b)."

6 Section 3. G.S. 135-5(m) reads as rewritten:

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

- 13 (1) a. The member had attained such age and/or creditable service to be
14 eligible to commence retirement with an early or service retirement
15 allowance, or
16 b. The member had obtained 20 years of creditable service in which
17 case the retirement allowance shall be computed in accordance
18 with ~~G.S. 135-5(b16)(1)b.~~ G.S. 135-5(b17)(1)b. or ~~G.S. 135-~~
19 ~~5(b16)(2)e.,~~ G.S. 135-5(b17)(2)c., notwithstanding the
20 requirement of obtaining age 50.
21 (2) The member had designated as the principal beneficiary to receive a
22 return of his accumulated contributions one and only one person who
23 was living at the time of his death.
24 (3) The member had not instructed the Board of Trustees in writing that he
25 did not wish the provisions of this subsection to apply.

26 For the purpose of this benefit, a member is considered to be in service at the date of
27 his death if his death occurs within 180 days from the last day of his actual service. The
28 last day of actual service shall be determined as provided in subsection (l) of this
29 section. Upon the death of a member in service, the surviving spouse may make all
30 purchases for creditable service as provided for under this Chapter for which the member
31 had made application in writing prior to the date of death, provided that the date of death
32 occurred prior to or within 60 days after notification of the cost to make the purchase.
33 The term "in service" as used in this subsection includes a member in receipt of a benefit
34 under the Disability Income Plan as provided in Article 6 of this Chapter."

35 Section 4. G.S. 135-5 is amended by adding two new subsections to read:

36 "(ccc) From and after July 1, 1997, the retirement allowance to or on account of
37 beneficiaries whose retirement commenced on or before July 1, 1996, shall be increased
38 by three percent (3%) of the allowance payable on June 1, 1997, in accordance with G.S.
39 135-5(o). Furthermore, from and after July 1, 1997, the retirement allowance to or on
40 account of beneficiaries whose retirement commenced after July 1, 1996, but before June
41 30, 1997, shall be increased by a prorated amount of three percent (3%) of the allowance
42 payable as determined by the Board of Trustees based upon the number of months that a
43 retirement allowance was paid between July 1, 1996, and June 30, 1997.

1 (ddd) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1997. –
2 From and after July 1, 1997, the retirement allowance to or on account of beneficiaries on
3 the retirement rolls as of June 1, 1997, shall be increased by three and four-tenths percent
4 (3.4 %) of the allowance payable on June 1, 1997. This allowance shall be calculated on
5 the allowance payable and in effect on June 30, 1997, so as not to be compounded on any
6 other increase granted by act of the 1997 General Assembly."

7 Section 5. G.S. 135-65 is amended by adding a new subsection to read:

8 "(r) From and after July 1, 1997, the retirement allowance to or on account of
9 beneficiaries whose retirement commenced on or before July 1, 1996, shall be increased
10 by three percent (3%) of the allowance payable on June 1, 1997. Furthermore, from and
11 after July 1, 1997, the retirement allowance to or on account of beneficiaries whose
12 retirement commenced after July 1, 1996, but before June 30, 1997, shall be increased by
13 a prorated amount of three percent (3%) of the allowance payable as determined by the
14 Board of Trustees based upon the number of months that a retirement allowance was paid
15 between July 1, 1996, and June 30, 1997."

16 Section 6. Required employer salary-related contributions for employees
17 whose salaries are paid from department, office, institution, or agency receipts shall be
18 paid from the same source as the source of the employees' salary. If an employee's salary
19 is paid in part from the General Fund or Highway Fund and in part from department,
20 office, institution, or agency receipts, required employer salary-related contributions may
21 be paid from the General Fund or Highway Fund only to the extent of the proportionate
22 part paid from the General Fund or Highway Fund in support of the salary of the
23 employee, and the remainder of the employer's requirements shall be paid from the
24 source that supplies the remainder of the employee's salary. The requirements of this
25 section as to source of payment are also applicable to payments on behalf of the
26 employee for hospital-medical benefits, longevity pay, unemployment compensation,
27 accumulated leave, workers' compensation, severance pay, separation allowances, and
28 applicable disability income and disability salary continuation benefits.

29 Section 7. Effective July 1, 1997, the State's employer contribution rates
30 budgeted for retirement and related benefits as a percentage of covered salaries for the
31 1997-98 fiscal year are (i) ten and eighty-three hundredths percent (10.83%) - Teachers
32 and State Employees; (ii) fifteen and eighty-three hundredths percent (15.83%) - State
33 Law Enforcement Officers; (iii) nine and eighteen hundredths percent (9.18%) -
34 University Employees' Optional Retirement Program; (iv) twenty-two and sixty-five
35 hundredths percent (22.65%) - Consolidated Judicial Retirement System; and (v) twenty-
36 four and fifty-eight hundredths percent (24.58%) - Legislative Retirement System. Each
37 of the foregoing contribution rates includes two percent (2%) for hospital and medical
38 benefits. The rate for State Law Enforcement Officers includes five percent (5%) for the
39 Supplemental Retirement Income Plan. The rates for Teachers and State Employees,
40 State Law Enforcement Officers, and for the University Employees' Optional Retirement
41 Program include fifty-two hundredths percent (0.52%) for the Disability Income Plan.

42 Section 8. G.S. 128-27(b15) reads as rewritten:

1 "(b15) Service Retirement Allowance of Members Retiring on or after July 1,
2 ~~1995-1995~~, but before July 1, 1997. – Upon retirement from service in accordance with
3 subsection (a) or (a1) above, on or after July 1, 1995, but before July 1, 1997, a member
4 shall receive the following service retirement allowance:

5 (1) A member who is a law enforcement officer or an eligible former law
6 enforcement officer shall receive a service retirement allowance
7 computed as follows:

8 a. If the member's service retirement date occurs on or after his
9 55th birthday, and completion of five years of creditable service
10 as a law enforcement officer, or after the completion of 30 years
11 of creditable service, the allowance shall be equal to one and
12 seventy-two hundredths percent (1.72%) of his average final
13 compensation, multiplied by the number of years of his
14 creditable service.

15 b. If the member's service retirement date occurs on or after his
16 50th birthday and before his 55th birthday with 15 or more years
17 of creditable service as a law enforcement officer and prior to the
18 completion of 30 years of creditable service, his retirement
19 allowance shall be equal to the greater of:

20 1. The service retirement allowance payable under G.S. 128-
21 27(b15)(1)a. reduced by one-third of one percent (1/3 of
22 1%) thereof for each month by which his retirement date
23 precedes the first day of the month coincident with or next
24 following the month the member would have attained his
25 55th birthday; or

26 2. The service retirement allowance as computed under G.S.
27 128-27(b15)(1)a. reduced by five percent (5%) times the
28 difference between 30 years and his creditable service at
29 retirement.

30 (2) A member who is not a law enforcement officer or an eligible former
31 law enforcement officer shall receive a service retirement allowance
32 computed as follows:

33 a. If the member's service retirement date occurs on or after his
34 65th birthday upon the completion of five years of creditable
35 service or after the completion of 30 years of creditable service
36 or on or after his 60th birthday upon the completion of 25 years
37 of creditable service, the allowance shall be equal to one and
38 seventy-two hundredths percent (1.72%) of his average final
39 compensation, multiplied by the number of years of creditable
40 service.

41 b. If the member's service retirement date occurs after his 60th and
42 before his 65th birthday and prior to his completion of 25 years
43 or more of creditable service, his retirement allowance shall be

1 computed as in G.S. 128-27(b15)(2)a. but shall be reduced by
2 one-quarter of one percent (1/4 of 1%) thereof for each month by
3 which his retirement date precedes the first day of the month
4 coincident with or next following his 65th birthday.

5 c. If the member's early service retirement date occurs on or after
6 his 50th birthday and before his 60th birthday and after
7 completion of 20 years of creditable service but prior to the
8 completion of 30 years of creditable service, his early service
9 retirement allowance shall be equal to the greater of:

10 1. The service retirement allowance as computed under G.S.
11 128-27(b15)(2)a. but reduced by the sum of five-twelfths
12 of one percent (5/12 of 1%) thereof for each month by
13 which his retirement date precedes the first day of the
14 month coincident with or next following the month the
15 member would have attained his 60th birthday, plus one-
16 quarter of one percent (1/4 of 1%) thereof for each month
17 by which his 60th birthday precedes the first day of the
18 month coincident with or next following his 65th birthday;
19 or

20 2. The service retirement allowance as computed under G.S.
21 128-27(b15)(2)a. reduced by five percent (5%) times the
22 difference between 30 years and his creditable service at
23 retirement; or

24 3. If the member's creditable service commenced prior to
25 July 1, 1995, the service retirement allowance equal to the
26 actuarial equivalent of the allowance payable at the age of
27 60 years as computed in G.S. 128-27(b15)(2)b.

28 d. Notwithstanding the foregoing provisions, any member whose
29 creditable service commenced prior to July 1, 1965, shall not
30 receive less than the benefit provided by G.S. 128-27(b)."

31 Section 9. G.S. 128-27 is amended by adding a new subsection to read:

32 "(b16) Service Retirement Allowance of Members Retiring on or After July 1,
33 1997. – Upon retirement from service in accordance with subsection (a) or (a1) above, on
34 or after July 1, 1997, a member shall receive the following service retirement allowance:

35 (1) A member who is a law enforcement officer or an eligible former law
36 enforcement officer shall receive a service retirement allowance
37 computed as follows:

38 a. If the member's service retirement date occurs on or after his
39 55th birthday, and completion of five years of creditable service
40 as a law enforcement officer, or after the completion of 30 years
41 of creditable service, the allowance shall be equal to one and
42 seventy-six hundredths percent (1.76%) of his average final

- 1 compensation, multiplied by the number of years of his
2 creditable service.
- 3 b. If the member's service retirement date occurs on or after his
4 50th birthday and before his 55th birthday with 15 or more years
5 of creditable service as a law enforcement officer and prior to the
6 completion of 30 years of creditable service, his retirement
7 allowance shall be equal to the greater of:
- 8 1. The service retirement allowance payable under G.S. 128-
9 27(b16)(1)a. reduced by one-third of one percent (1/3 of
10 1%) thereof for each month by which his retirement date
11 precedes the first day of the month coincident with or next
12 following the month the member would have attained his
13 55th birthday; or
- 14 2. The service retirement allowance as computed under G.S.
15 128-27(b16)(1)a. reduced by five percent (5%) times the
16 difference between 30 years and his creditable service at
17 retirement.
- 18 (2) A member who is not a law enforcement officer or an eligible former
19 law enforcement officer shall receive a service retirement allowance
20 computed as follows:
- 21 a. If the member's service retirement date occurs on or after his
22 65th birthday upon the completion of five years of creditable
23 service or after the completion of 30 years of creditable service
24 or on or after his 60th birthday upon the completion of 25 years
25 of creditable service, the allowance shall be equal to one and
26 seventy-six hundredths percent (1.76%) of his average final
27 compensation, multiplied by the number of years of creditable
28 service.
- 29 b. If the member's service retirement date occurs after his 60th and
30 before his 65th birthday and prior to his completion of 25 years
31 or more of creditable service, his retirement allowance shall be
32 computed as in G.S. 128-27(b16)(2)a. but shall be reduced by
33 one-quarter of one percent (1/4 of 1%) thereof for each month by
34 which his retirement date precedes the first day of the month
35 coincident with or next following his 65th birthday.
- 36 c. If the member's early service retirement date occurs on or after
37 his 50th birthday and before his 60th birthday and after
38 completion of 20 years of creditable service but prior to the
39 completion of 30 years of creditable service, his early service
40 retirement allowance shall be equal to the greater of:
- 41 1. The service retirement allowance as computed under G.S.
42 128-27(b16)(2)a. but reduced by the sum of five-twelfths
43 of one percent (5/12 of 1%) thereof for each month by

1 which his retirement date precedes the first day of the
2 month coincident with or next following the month the
3 member would have attained his 60th birthday, plus one-
4 quarter of one percent (1/4 of 1%) thereof for each month
5 by which his 60th birthday precedes the first day of the
6 month coincident with or next following his 65th birthday;
7 or

8 2. The service retirement allowance as computed under G.S.
9 128-27(b16)(2)a. reduced by five percent (5%) times the
10 difference between 30 years and his creditable service at
11 retirement; or

12 3. If the member's creditable service commenced prior to
13 July 1, 1995, the service retirement allowance equal to the
14 actuarial equivalent of the allowance payable at the age of
15 60 years as computed in G.S. 128-27(b16)(2)b.

16 d. Notwithstanding the foregoing provisions, any member whose
17 creditable service commenced prior to July 1, 1965, shall not
18 receive less than the benefit provided by G.S. 128-27(b)."

19 Section 10. G.S. 128-27 is amended by adding two new subsections to read:

20 "(ss) From and after July 1, 1997, the retirement allowance to or on account of
21 beneficiaries whose retirement commenced on or before July 1, 1996, shall be increased
22 by three percent (3%) of the allowance payable on June 1, 1997, in accordance with G.S.
23 128-27(k). Furthermore, from and after July 1, 1997, the retirement allowance to or on
24 account of beneficiaries whose retirement commenced after July 1, 1996, but before June
25 30, 1997, shall be increased by a prorated amount of three percent (3%) of the allowance
26 payable as determined by the Board of Trustees based upon the number of months that a
27 retirement allowance was paid between July 1, 1996, and June 30, 1997.

28 (tt) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1997. –
29 From and after July 1, 1997, the retirement allowance to or on account of beneficiaries on
30 the retirement rolls as of June 1, 1997, shall be increased by two and three-tenths percent
31 (2.3 %) of the allowance payable on June 1, 1997. This allowance shall be calculated on
32 the allowance payable and in effect on June 30, 1997, so as not to be compounded on any
33 other increase payable under subsection (k) of this section or otherwise granted by act of
34 the 1997 General Assembly."

35 Section 11. G.S 128-27(m) reads as rewritten:

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

- 1 (1) a. The member had attained such age and/or creditable service to be
2 eligible to commence retirement with an early or service retirement
3 allowance, or
4 b. The member had obtained 20 years of creditable service in which
5 case the retirement allowance shall be computed in accordance
6 with ~~G.S. 128-27(b15)(1)b.~~ G.S. 128-27(b16)(1)b. or ~~G.S. 128-~~
7 ~~27(b15)(2)e.~~, G.S. 128-27(b16)(2)c., notwithstanding the
8 requirement of obtaining age 50.
9 (2) The member had designated as the principal beneficiary to receive a
10 return of his accumulated contributions one and only one person who is
11 living at the time of his death.
12 (3) The member had not instructed the Board of Trustees in writing that he
13 did not wish the provisions of this subsection apply.

14 For the purpose of this benefit, a member is considered to be in service at the date of
15 his death if his death occurs within 180 days from the last day of his actual service. The
16 last day of actual service shall be determined as provided in subsection (1) of this
17 section. Upon the death of a member in service, the surviving spouse may make all
18 purchases for creditable service as provided for under this Chapter for which the member
19 had made application in writing prior to the date of death, provided that the date of death
20 occurred prior to or within 60 days after notification of the cost to make the purchase."

21 Section 12. This act becomes effective July 1, 1997.